

## NEWS SUMMARY

## GENERAL

**Snow brings chaos to Britain**

Snow storms swept Britain bringing chaos to thousands of miles of roads, and paralysing traffic yesterday. An estimated 500 miles of traffic jams clogged road-hour roads in the South and Midlands.

Conditions were made worse by the one-day strike by train drivers.

Many Tube services were severely delayed. The London Chamber of Commerce estimated that at most, 75 per cent of people working in London had reached their destination.

Air travel was also hit. British Airways said that all its domestic flights out of Heathrow had been cancelled.

## Evening News to cut jobs

The London Evening News is to cut about 350 jobs and the number of editions it prints, in an effort to trim £5m off its annual losses, now running at over £7m.

Harshest hit will be the distribution staff, where 275 jobs are to go. Associated Newspapers, which owns the News, said the level of redundancies was not negotiable, but would be voluntary as far as possible. Back and Page 5.

## Beirut blast

Palestinian guerrilla leader Yasser Arafat returned to Beirut to lead inquiries into the car-bomb killing of Abu Hassan, his senior security aide.

## Belfast attack

Guardsman was seriously shot and seriously injured, a policeman in the centre of Belfast. Shortly afterwards, another policeman was injured in a gun attack on a patrol-car.

## Embassy seized

Iranian students took over their country's consulate in Paris, proclaiming it the "Embassy of the Islamic Republic of Iran." They later left without interference from police. The Shah has decided to postpone his visit to the U.S. and stay in Morocco for a week. Page 4.

## Director cleared

Thomas Graham Cook, 46, general manager and a director of Lucas Service Overseas—one of the defendants in the trial alleging Rhodesian sanctions-busting by two subsidiaries of Lucas Industries, was acquitted at Aylesbury Crown Court. The trial continues. Page 4.

## Cigarette 'lottery'

The Imperial Group lost the first round in its court battle over the "Spot Cash" cigarette promotion scheme when a High Court judge ruled the scheme was a lottery and therefore unlawful. An appeal is to be made. Page 6.

## Tanker Inquiry

Dublin High Court Judge Declan Costello is to head a tribunal of inquiry into the explosion on board the French oil tanker *Bataafsche* in which 50 people died in Enniscorthy Bay Co. Cork on January 8.

## France rejoins

France returns to regular international disarmament talks in Geneva today, ending a boycott started by the late President De Gaulle 16 years ago.

## Briefly

Supervisor John Travolta has pulled out of his latest film American Graffiti because his father has had a heart attack. Britain's first regular fortnightly London-Moscow coach service starts on May 19.

Lord Alexander Tord, President of the Royal Society, was awarded the Lomonosov Gold Medal, the Soviet Union's top scientific award.

Troops loyal to Pol Pot have launched attacks on Vietnam-led forces around several important towns in Cambodia.

## BUSINESS

**Equities reach six-month low**

BY RICHARD EVANS AND PHILIP BASSET

Mr. James Callaghan infuriated Labour Left-wingers and many trade union leaders yesterday by strongly defending the right of workers to cross picket lines and by hinting that police should take stronger action to control excessive picketing.

His intervention was seen by Wales, the east and west Midlands and in the Bristol area, although Mr. Alex Kitson, the union's executive officer co-ordinating the strike, said yesterday secondary picketing was still a big problem at some ports.

In the Commons, Mr. Callaghan once again came under attack from the Conservatives for under-estimating the disastrous consequences of the road haulage strike and not appreciating the scale of the problem raised by picketing.

To the surprise of both Labour and Tory MPs, the Premier strongly defended during question-time the right of workers to defy picket lines which he insisted were not sacred objects.

"There is nothing in criminal or civil law, to stop workers carrying out their duties, and I hope they will do so," he declared.

After Mrs. Margaret Thatcher and other Tories had challenged him on the right of ordinary people to carry on working without interference, Mr. Callaghan added: "I really do not see why anybody need cease work in this situation."

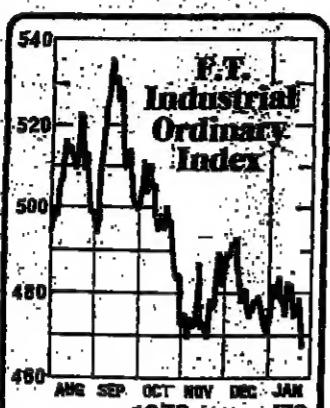
The remark was greeted by jeers from the Tories who protested at threats from pickets of retaliatory action and the withdrawal of union cards.

But the Prime Minister insisted: "Everybody in this country is entitled to cross a picket line if he disagrees with the arguments put to him. And I would not hesitate myself to cross a picket line if I believed it right to do so."

He then came out against a further appeal from the Tories for new measures to be considered limiting the powers of trade unions—but added this warning: "There comes a time when the nation's patience does run out and then despite the un wisdom of the legislation it might have to shackle the trade unions to the overwhelming dislike of the country in the long run."

A Tory back-bench motion tabled last night welcomed the Prime Minister's support for every citizens' right to cross a picket line, but pointed out that this bore no resemblance to a situation where large numbers of people were being stopped

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Parliament Page 9



restraint, and the FT ordinary index closed 5.5 down at 467.5, its lowest for six months.

• **GILTS** steadied at the long end but shorts lost up to 3 and the Government Securities index fell 0.01 to 66.98.

• **STERLING** lost 25 points to 1.9360 and its trade-weighted index remained at 63.2. The dollar's depreciation narrowed to 8.9 per cent (9.0).

• **GOLD** fell \$3 to \$208.1 in London.

• **WALL STREET** was 2.40 up at 846.32 just before the close.

• **WEST GERMAN** economy is expected to grow by 4 per cent in 1979. Government experts in Bonn have predicted. Back Page; Editorial Comment Page 18

• **JAPANESE** economy is expected to grow at rates of no more than 3 per cent in the next year or so, according to the Japanese businessmen's federation the Keidanren. The Government in Tokyo expects a 6 per cent growth rate. Page 4.

• **BSI** has signed a technical agreement with Siderbras, the Brazilian steel industry's state holding company, which is expected to lead to contracts for the corporation's overseas services division. Back Page.

European and Canadian steel manufacturers have agreed to begin work on a programme to cut EEC steel production costs by about \$90m a year by the 1980s. Page 2.

• **SCOTCH** whisky exports last year reached a record \$661m, and a volume increase of 12.5 per cent on the previous year. At the same time the industry is threatened by an EEC Commission decision that arrangements made by some whisky companies to restrict parallel exports of Scotch infringe the Treaty of Rome and must end.

• **FIAT** has completed its group reorganisation with a top management reshuffle giving Sir Umberto Agnelli direct control of Fiat's daily management. Back and Page 24

• **DAVY CORPORATION**, the engineering and construction group, reports pre-tax profits for the half year to September 30 up from £8.4m to £8.52m. Page 20 and Lex

• **SMITH BROS**, the UK stock and share jobber, reports pre-tax profits for the half year to October 27 down from £704,282 to £222,610 reflecting a reduced level of market activity. Page 26

• **TRANS WORLD AIRLINES**, whose parent company Trans World Corporation has announced an unexpected \$12.1m loss in the fourth quarter, has applied for a 7 per cent increase in Transatlantic air fares. Page 24.

• **XEROX CORPORATION** of the U.S. reports a 17 per cent rise in fourth quarter earnings to \$108.9m, bringing the total 1978 increase to \$563.9m, up 15 per cent on 1977. Page 24.

• **IRAN**: How oil companies are learning to cope ... 18

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Israel fears over oil supplies

By David Lennon in Tel Aviv

ISRAEL faces an oil supply crisis, according to senior American oil executives familiar with the Israeli market.

The Government is withholding information on the situation from the country because of the effect such news might have on the peace talks with Egypt.

The Ministry of Energy confirmed that the loss of Iranian oil, which supplied over half of Israel's needs, was a serious problem. Contingency plans existed if confirmed, but there was no immediate need to speak of rationing. The Ministry did not want people to panic.

However, according to oil industry executives it not only appears certain that rationing will have to be introduced but there is also likely to be a sharp increase in the price of fuel in Israel.

In addition to the loss of Iranian oil, Israel has agreed to give up the Alma oilfield it discovered in the Gulf of Suez when it returns the area to Egypt under a peace agreement. The field supplies 20 per cent of Israel's consumption of 160,000 barrels a day.

The fear is that if it became publicly known just how serious the oil crisis is, there would be widespread public pressure for Israel to take a tougher stand on the future supply of oil from the Gulf of Suez field before handing it back to Egypt.

The Energy Ministry said that it was only too well aware of the problem and that many officials felt Israel should press for an Egyptian commitment to supply oil from Alma.

The most Egypt has said so far on this issue is that it would be willing to consider commercial sales to Israel. It has rejected Israeli demands for a firm commitment on quantities and price.

In the past two days a number of Israeli Cabinet Ministers have spoken about the need to assure Israel's supply of oil from the Alma field before agreeing to abandon it.

Israel is relying on the U.S. to help overcome the critical shortage of oil caused by the Iranian shut-off. In return for Israel's agreement to hand back the Abu Rodeis field in the Gulf of Suez to Egypt in 1973 America promised to provide Israel with oil if the country could not buy it from normal channels.

Reliance on such a commitment, it is said, may be costly. Israel can still make spot purchases of oil through brokers even though nearly 90 per cent of world oil sources are closed to Israel by the Arab boycott.

## Rail unions put claim

RAIL union leaders presented their "substantial" pay claim to British Rail in talks which are also intended to reach a settlement over productivity payments. Back Page

LAY-OFFS caused by the lorry strike have reached 175,000 to 200,000 according to Government figures, with 65,000 claiming State unemployment benefit. A West Midlands survey shows many companies expecting to stay open indefinitely, but Yorkshire and Humberside employers forecast a total of 70,000-80,000 layoffs by the weekend.

CBI denied it has tried to scare the Government

with high lay-off forecasts. PICKETS are being paid at a "going rate" of £1.50 to £10 a lorry" by companies to let lorries into factories according to the British Plastics Federation. Picketing at some ports lessened and a TGWU-CBI agreement was reached in Scotland to ease problems.

FORD car and lorry production is reduced by 10 per cent because imports and exports of cars and components are blocked at East coast ports.

ANIMAL feed makers say prices of raw materials are rising because of shortages. Strike effects, Page 8

## Jobless total rises to 1.34m

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

UNEMPLOYMENT IN THE UK increased sharply in the month to mid-January. This was the first rise since last August and mainly reflected the exceptionally bad winter weather rather than the effects of the industrial disputes.

The number of adults out of work rose by 18,500 to 1.34m, seasonally adjusted, according to Department of Employment figures announced yesterday. This is equivalent to 5.6 per cent of the workforce.

The count was taken on January 11 before the road haulage strike had begun to have its full impact on industry, though the tanker drivers' dispute may have had a small effect on the figures.

The latest Whitehall estimate, based on information available on Monday, is that between 175,000 and 200,000 workers have now been laid off as a result of the road haulage dispute. The number of people temporarily out of work and claiming benefits rose to 85,000 last week, compared with 10,000 before Christmas. The difference in this figure and total layoffs is partly explained by the number of workers whose pay has been guaranteed or who are otherwise not eligible for benefit.

If the present disputes continue there will naturally be a much larger impact on the unemployment figures by mid-February count. The Whitehall view is that the reversal of the previous month's downward trend in unemployment can be explained by a number of special factors—in particular, harsher weather than is allowed for in the usual seasonal adjustment. This has had a serious effect on construction and agriculture and was reflected in an above average

Continued on Back Page

age rise in unemployment in Northern England.

In addition, the number kept off the unemployment register by the special Government job measures dropped by 22,000 to 165,000. This reflected the declining impact of the Temporary Employment Subsidy and the disappointing use made by employers of the short-term working compensation scheme.

All this makes it difficult to discern the underlying trend of unemployment after a fall of 71,000 between August and December. But an indication that the downward trend may have been only temporarily checked is provided by a rise of 4,700 to 235,900 in notified vacancies on a seasonally adjusted basis. This represents a rise of nearly 31 per cent during the last year and is the

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z in New York

— Jan. 22 Previous

1 Spot \$2.0012-0.0029 \$2.0060-0.0070

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3 months 1.18-1.15 dis. 1.11-1.05 dis.

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## 40% of U.S. debt funded from overseas

By Jack Martin in Washington

MORE THAN 40 per cent of the U.S. Government's official debt has been financed by borrowings from overseas during the past two years. Principal investors in U.S. securities have been oil-producing nations, especially Saudi Arabia.

Although the extent of their purchases has been more or less public knowledge for some time, official U.S. indebtedness to them, disclosed in the fiscal 1980 budget, is bound to cause some surprise in Washington.

In one sense, foreign buying of U.S. Government securities—which last year accounted for \$25.4bn of the \$59.1bn raised in total—helps the Administration, since it relieves a certain amount of pressure on domestic financial markets.

Foreign purchases of U.S. debt have grown steadily over the past decade; at the end of the 1960s they held less than 5 per cent of U.S. obligations. According to the budget, of the \$610.9bn of outstanding U.S. official debt, foreigners held \$121bn, about 20 per cent of the total.

Nominally, the U.S. Government will, according to the budget, need to raise only \$40.6bn in this fiscal year, and \$39.5bn in fiscal 1980, compared with \$59.1bn in the fiscal year ending last September. However, the reduction may be somewhat illusory, since the Treasury intends to run down sharply its cash balances, which have been kept at unusually high levels, and, of course, will continue its regular gold auctions.

### Taiwan resolution

Congressional supporters of President Carter's China policy are to introduce a resolution reaffirming U.S. concern for Taiwan's security, to undercut more strongly stated conservative resolutions in favour of Taiwan. David Burhan writes from Washington. Senators Edward Kennedy and Alan Cranston, who support the new ties with Peking, have said they will sponsor a Senate resolution calling any armed attack on Taiwan "a danger to the stability and peace of Asia," requiring the President to inform Congress promptly of any threat to Taiwan, and supporting the continued sale of defensive weapons to Taiwan.

## Mercedes-Benz acts to protect its truck market

By JOHN WYLES IN NEW YORK

THE MOVE by Mercedes-Benz, a subsidiary of Daimler-Benz AG of West Germany, to establish a truck assembly plant in the U.S. reflects the company's resolve to protect and build on its position as the largest seller of foreign-made diesel-powered trucks in the U.S. market.

The West German company's growth prospects here have been increasingly clouded, both by the diesel-manufacturing plans of U.S. truck producers and also by the ambitions of other European companies, which began to become excited last year by the growth potential of the U.S. market for medium-duty diesel

powered vehicles. No fewer than five other European companies assembled and announced battle plans aimed at securing significant sales of these trucks in the U.S. Daimler-Benz modestly but solidly established in the U.S. market since 1970, clearly began to feel it was being pursued.

In New York yesterday, the company's executives appeared confident that they could stay one step ahead of their rivals, principally Fiat and West Germany's KHD, through their joint venture Iveco. Volvo, Maschinenfabrik Augsburg-Nürnberg (MAN) and Renault

There has long been speculation that the parent company, Daimler-Benz AG, would eventually establish a plant on the U.S. mainland, not least because it was increasingly obvious missing link in the web of nine production plants and 28 assembly facilities which the world's largest diesel truck manufacturer has established around the world.

But Daimler-Benz is famed for its caution and conservatism, and each step down the principality Fiat and West Germany's KHD, through their joint venture Iveco, Volvo, Maschinenfabrik Augsburg-Nürnberg (MAN) and Renault

at the turn of the century by William Steinway, whose historical expertise is more associated with pianos, the company's more recent activities date from 1969. After a marketing programme on the east coast of the U.S., the company began importing eight models from West Germany, marketing them on a sales territory which had grown to 39 dealers in 16 states by the end of 1972.

The slide of the dollar against the mark in 1973 prompted the decision to switch the import source from West Germany to Brazil. Daimler-Benz's largest foreign-based

manufacturing subsidiary. Two things of relevance to yesterday's decision have happened since then. The first is that Mercedes-Benz's wholesale sales of medium-duty diesel trucks have steadily climbed, to reach 2,607 last year, and are hoped to reach 3,700 this year. At the same time, it has become apparent that the diesel-powered sector of the market for these trucks, whose functions range from school buses to long-distance transport of heavy goods, has been greatly expanded by rising fuel costs. The diesel engine offers significant operating economies, and Interna-

tional Harvester has calculated that diesel engines, which accounted for about 8 per cent

of the class 6 medium-duty market last year, will capture 15 per cent by 1980, and 35 per cent by 1985, or approximately 70,000 out of a total market of 200,000.

Since the overall unit growth of this market will be slender, diesel power is an obvious choice—a fact which has also been spotted by U.S. manufacturers, who have their own plans for curbing European competition.

By Victor Mackie in Ottawa

MR. JOE CLARK, the Progressive Conservative leader, has rejected sovereignty association between Quebec and the rest of Canada, as conceived by Mr. René Levesque, the Quebec Premier, and has ruled out negotiation.

"We are not going to negotiate sovereignty association. We are going to keep this country together. We do not accept sovereignty association," he told reporters just before the Canadian Parliament resumed sittings after its long Christmas recess.

Mr. Pierre Trudeau, the Prime Minister, throughout the recess has been saying the Conservatives were prepared to negotiate sovereignty association.

Mr. Clark said on Monday, after a four-hour party caucus, that the Conservative federal Government would be willing to talk to the Quebec government about "change and modernisation" of the relationship between Ottawa and the provinces.

"We would be naturally prepared to discuss other changes that would keep the country together, but that might change the status quo."

He made his comments after Mr. David Crombie, a new MP and former Mayor of Toronto, received widespread publicity by saying that federal politicians should be willing to negotiate with the Quebec government. Mr. Trudeau is determined to make national unity and Quebec's proposal for sovereignty association the main issue in the federal election this spring.

Meanwhile, Mr. Edward Schreyer was installed as Canada's twenty-second Governor-General on Monday.

The Governor-General's inaugural speech was the most politically charged ever delivered by a Canadian Governor-General. He urged Canadians to remain united while preserving differences of language, culture and heritage. He also issued a challenge to those who opposed "the preservation of one Canada."

### U.S. COMPANY NEWS

Change of strategy boosts Xerox; Cooper Industries to buy stake in Gardner-Denver; Fourth quarter loss for TWA

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### THE CITIBANK TAX INQUIRY

## A sacked banker and the intricate world of currency dealings

By DAVID LASCELLES IN NEW YORK

THE RECENT disclosure by Citibank, New York's largest bank, that Swiss and other "foreign governmental authorities" are looking into its affairs for possible tax irregularities is the latest in a whole chain of events triggered off by what has come to be known as the Edwards case, one of the most highly publicised lawsuits to have occupied Wall Street for a long time.

The case is all the more remarkable for the fact that it has not even reached the courts. Yet under America's relaxed sub judice rules, much of the evidence has already been given a good public airing, not least by Citibank itself, and the bank's board even added to the excitement by commissioning an investigation of the facts behind the case and publishing the results.

Citibank's immediate reaction was to deny the charges outright (though it acknowledges Mr. Edwards was fired) and file court papers of its own demanding that they be dismissed. But in view of the publicity surrounding the case and its potentially damaging effect on the bank's reputation, Citibank asked its lawyers, Shearman and Sterling, and its accountants, Peat, Marwick, Mitchell, to conduct an "outside investigation" and report back to the audit committee.

This they did in November. But instead of clearing Citibank of any misconduct, they said "certain specific transactions were identified where local counsel concluded that a challenge by local tax authorities

involved a high probability of success on their part." The 115-page report noted specifically that Citibank might have perfectly legal so long as it fringed the law at Paris, Frankfurt and Zurich branches.

According to the report, the issue hinges on the practice known as "parking," a word which crops up frequently in

contracts with other Citibank branches conflicts with the arm's length principle and may therefore be inconsistent with Swiss principles of taxation."

In releasing this report to the public, Citibank acknowledged that it showed some of its European branches might have infringed local tax and foreign exchange laws. But it defended itself by claiming that these were now so complex that no institution could hope to avoid transgressions at some time or another.

The bank then offered to discuss its tax liabilities with the countries involved, revealing a few days later that the Swiss had opened talks.

However, Citibank stressed that the report found no evidence of concerted wrongdoing, which meant that while the investigators uncovered practices similar to those alleged by Mr. Edwards, they did not support his main contention that Citibank had developed a deliberate policy of tax evasion. (It did state, though, that Citibank decided to start parking transactions in Nassau and New York for tax avoidance purposes.)

Mr. Edwards subsequently issued a statement saying "I am glad that Peat, Marwick, Mitchell have raised the very point I was fired for raising."

However, having bared its affairs to the public, Citibank then moved—successfully—to ensure that any new evidence stays secret. It asked for, and got, a court ruling that so-far undisclosed evidence should be sealed, and the court hearings held in camera on the grounds

that the case involves confidential information.

Mr. Edwards said he may appeal that ruling. Meanwhile he has moved out to Long Island to prepare his evidence with the help of a law firm famous for handling cases where individuals take on giant organisations.

A personable but tough-minded 34-year-old bachelor from Texas, Mr. Edwards started his working life in London in the early 1970s where he went to write a study of the budding Eurodollar market.

In 1972 he moved across to Citibank, and in 1974 became a member of its international staff, serving in several of the bank's European offices.

The origins of his lawsuit date from 1975 when he was working in the Paris branch and uncovered what he believed to be questionable foreign exchange dealings. As his court papers describe it, he followed these up and discovered more such dealings at other branches. He tried to get them investigated, but he alleges that the bank's management refused to give him a proper hearing, and this precipitated the crisis which led to his dismissal last February.

Although he now spends most of his time on his case and on consulting on export finance, his fame is already such that he is in demand as a public speaker on corporate responsibility. He has also been invited down to Washington to testify before a couple of Congressional committees and the Justice Department.

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\*Prices correct at time of going to press.

## Clark rules out Quebec sovereignty association

By Victor Mackie in Ottawa

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\*Prices correct at time of going to press.

## OVERSEAS NEWS

## Japanese growth forecast questioned

BY CHARLES SMITH, FAR EAST EDITOR, IN TOKYO

THE JAPANESE economy will probably grow at rates of next year or two although the Government hopes for 6 per cent or more, according to a report by the Keidanren, the Japanese Federation of Economic Organisations.

A slightly higher rate may be possible towards the end of the coming five years, the Keidanren says. However, this will depend on when and how a series of domestic problems are settled.

Among the obstacles to higher growth the Keidanren lists rigid official taxation and fiscal policies coupled with the high costs of an uneconomic agricultural policy and of inefficient publicly owned transport. The Keidanren, which is usually regarded as the most powerful association of private businessmen in Japan, takes the view that the economy should recover under its own steam from the early 1980s if these and other obstacles are removed.

The Keidanren's vision of a 5 per cent growth rate in the near-term followed by slight acceleration thereafter contrasts with a Government forecast that GNP will grow about 6 per cent in fiscal year 1978, ending next March, and by 6.3 per cent in fiscal 1979. Japan originally adopted a 7 per cent forecast for the current fiscal year but scaled this down to 6 per cent after Mr. Masayoshi Ohira took over as Prime Minister from Mr. Takeo Fukuda last December.

Officials of the Economic Planning Agency claim that the economy's recent performance points towards attainment of the 6 per cent target. However, a close look at recent indicators suggests that this is in fact unlikely.

The GNP would need to have recorded a quarter-to-quarter growth rate of 2.2 per cent in real terms during the final 1978 quarter and the first quarter this year in order to hit 6 per

cent for the fiscal year as a whole.

A 2.2 per cent growth rate for the final quarter of last year would represent a sharp acceleration from the previous quarter's rate of 1 per cent and is officially regarded as being "near the upper limit of possibility." Growth in the first quarter of 1979 is expected to be somewhat less than during the final quarter of 1978 because of an anticipated slow down in housing development and public works expenditure.

Government officials believe that public works spending, because of the limited size of the 1979 budget, will play a less important part in stimulating the economy in fiscal 1979 than it has done in the current fiscal year. But the dampening impact of this will be cancelled out by a "flattening" of the export trend, meaning that the overseas sector will no longer be making a negative contribution to economic growth as it has done in 1978.

## India Cabinet changes

By K. K. Sharma in New Delhi

THE seven-month political crisis in India is expected to end today with the swearing in of Mr. Charan Singh as Deputy Prime Minister in charge of the Finance Ministry. Mr. Jagjivan Ram, the Defence Minister, is also to be promoted to Deputy Prime Minister but his position in the Cabinet will be below that of Mr. Singh. A Cabinet reshuffle is expected within a few days.

The crisis in the Cabinet and the ruling Janata Party began last July when Mr. Morarji Desai, the Prime Minister, obtained the resignation of Mr. Charan Singh, who was then Home Minister. This followed a statement by Mr. Singh that the Government's failure to take action against Mrs. Indira Gandhi, the former Premier, had given the impression that the Cabinet was made up of "impotent men."

The prolonged efforts made since July to patch up the rift in the party led to frequent wrangling among senior Ministers and party leaders and has tarnished Janata's image. This has been exacerbated by the growing impression that the party quarrels are due to personal ambitions rather than policy or ideological differences.

While peace efforts repeatedly failed, Mr. Singh constantly threatened to openly split the Janata Party by withdrawing the Bharatiya Lok Dal (BLD—Indian People's Party) faction from it. The influential BLD is Mr. Singh's creation and has its base among the farmers of the Hindi-speaking northern belt.

Mr. Desai's resistance to Mr. Singh's return to the Cabinet was broken by mediators belonging to other Janata factions.

Initially, Mr. Singh was reluctant to agree to Mr. Jagjivan Ram being made a Deputy Prime Minister but gave in to dispel the impression that he is opposed to the Harijan (untouchable) community to which the Defence Minister belongs.

## Israel warns of retaliation

BY DAVID LENNON IN TEL AVIV

ISRAEL THREATENED yesterday to escalate the war against the Palestinians both inside Israel and in Lebanon as arrest increased among Israeli Arabs and Palestinian rocket attacks from Lebanon continued to disrupt life in northern Israel.

Mr. Moshe Dayan, the Foreign Minister, warned Palestinians living in Israel that their support for the Palestine Liberation Organisation (PLO) could lead to their becoming refugees, as happened to many Arabs in 1948. If they were unwilling to live in peace with the Jews "they will have to pay for it very dearly."

He also said that Israel must build more Jewish settlements on the occupied West Bank and Gaza Strip and continue to hit

Arab bases across the border. His remarks, made in an address to a Jewish fund-raising organisation in Jerusalem, were a response to events of the past fortnight in which the Arab Student Organisation and the chairman of more than half the Arab local councils inside Israel have passed resolutions of solidarity with the PLO and of support for the struggle of the West Bank and Gaza Arabs against Israeli annexation.

This is the first time that organisations representing the Arabs who have lived inside Israel since 1948 have expressed support publicly for the PLO.

Mr. Ezer Weizman, the Defence Minister, said that if Palestinian rocket attacks on

northern Israeli towns and villages continued Israel would hit civilian targets inside Lebanon. He added that Israel had superior fire power to the Palestinians.

Before he spoke, a salvo of Palestinian rockets was fired from Lebanon into northern Israel early in the morning, sending people into the shelters. One rocket hit a school in Kiryat Shmonah which had been evacuated only minutes earlier. Other buildings were damaged but there were no reports of casualties.

Israeli artillery responded by heavy shelling of targets in Southern Lebanon, but in the early afternoon more rockets were fired at the northern Israeli town of Metulla.

## Fatah out to avenge killing

BY IHSAN HIJAZI IN BEIRUT

EL-FATAH, the guerrilla movement's main organisation, has vowed to avenge the assassination of one of its leaders, Mr. Abu Hassan Salameh, who was killed here on Monday in a bomb explosion.

In a statement, Fatah said Israeli intelligence agents of responsibility and said that the killers will not go unpunished.

Nine persons, including four of Mr. Abu Hassan's bodyguards, were also killed in the electronically detonated blast while 18 people were wounded. It occurred only a few metres from where the dead guerrilla leader had his residence.

Abu Hassan was at the top of Israel's most wanted list for his alleged part in the killing of Israeli athletes during the Munich Olympics in 1972. The Palestinian news agency, WAFA, gave biographical notes about Mr. Abu Hassan and said that he was responsible for Fatah's worldwide "special operations".

Abu Hassan was reputed to have been one of the leaders of the "Black September organisation" which claimed responsibility for the "Munich massacre" and their Christian militiamen allies on the other.

Lebanese officials have been engaged in the past two days in consultation with ambassadors of the big powers here on the situation in the South. Reports in the press said the government may call the UN Security Council to an emergency session.

Heralding attempts to increase trade with ALALC—the Latin American Free Trade Association—the decree exempts State imports from member countries from new restrictions.

The PNC approved the joint political programme, made decisions on how to deal with financial issues, rejected the Camp David accords, set up a joint military leadership and decided to resume the Jordanian-Palestinian dialogue from the start.

The major purpose of this session was to promote Palestinian National Unity through endorsing a joint political programme and reintegrating the FPLP of Dr. Habash in the PLO leadership.

Since then, Southern Lebanon has been subjected to daily artillery duels which have inflicted heavy damage, sent the local population fleeing to safer grounds and caused deep worry in government circles here.

The shelling is between the guerrillas on the one hand and

## WORLD TRADE NEWS

## Rig sinking clouds UK export hopes

BY KEVIN DENE

THE DEPARTMENT OF ENERGY

is concerned that the export prospects of the UK offshore oil industry could suffer lasting damage from the sinking 12 days ago in the North Sea of an 815m oil production platform bound for Brazil.

Dr. Dickson Mabon, Energy Minister, has called in representatives of Oceanic Contractors, the towing company, to explain how the platform capsized and sank in a Force 10 storm about 30 miles off Hartlepool.

Oceanic Contractors is a subsidiary of J. Ray McDermott, the US company which was also responsible for building the platform at its Ardross yard near Inverness. The Minister has still to be satisfied that the correct action was taken before the tow was started.

The Government, which has been working hard to promote the interests of the supply industry in the developing offshore oil markets of Brazil, Mexico and Venezuela, has clearly been embarrassed by the sinking—because it was the first overseas order.

The platform was ordered by Petrobras, the Brazilian state oil company for its Namorado field.

Petrobras has just awarded the contract to a Brazilian company, Montreal Engineering, a joint venture with Micoperi of Italy.

## Brazil curbs state imports

BY DIANA SMITH IN RIO DE JANEIRO

BRAZIL'S multi-billion-dollar budget State enterprises—oil, electricity, steel, fertilisers, petrochemicals and mining among others—are to have imports tightly regulated.

A decree signed by outgoing President of the Republic, General Ernesto Geisel, calls for a ceiling on State imports once ministries responsible for the public enterprises have supplied lists of import plans for 1978 and subsequent years.

Furthermore, imports of equipment, raw materials, services and other items will not be allowed if a Brazilian counterpart exists. Before placing import orders, the public enterprises must inform the State-run Foreign Trade Bureau, which will check availability, or otherwise, of national counterparts.

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## Soviets seek Western bids for \$1bn 'sour' gas plant

BY DAVID SATTER IN MOSCOW

THE MACHINIMPORT

Soviet foreign trade organisation has called for bids from six western consortia for construction of a massive "sour" high sulphur gas processing complex in the southern Volga region near Astrakhan at a cost of about \$1bn.

The consortium involved are Partec-Lavalin and Creusot Loire, Davy Powergas, Alberta Gas Trunk, Mannesmann and Lurgi, Technip and S.N.P.A., Occidental Petroleum, Nippon Steel and Fluor and Mitsubishi and Parsons.

The contract will be for well-heads, drilling equipment, "scrubbing" plants to separate hydrogen sulphide, carbon dioxide and other impurities, pipelines, pumping stations and control systems for a complex

of efflux per year, half of it natural gas.

The "sour" gas development plan is to be one of the major projects of the next five year plan. Soviet officials do not know the full extent of the Astrakhan reserves but a preliminary estimate places them at 8,000m cubic metres of natural gas and hydrogen sulphide, carbon dioxide, methane and propane.

The deposits are located near populated areas so a large part of the cost of the project would be to install safety equipment to prevent the dangerous release of large quantities of hydrogen sulphide.

The intention is that the gas fields would be fully automated and computer controlled with the carbon dioxide separated for subsequent use in gas lift oil

recovery and the hydrogen sulphide separated for ultimate use in the production of steel.

The Soviet Union has the largest natural gas reserves in the world and a final decision on exploiting the Astrakhan sour gas deposit will rest on the comparative expense of developing these deposits in the light of the elaborate safety and purification equipment required versus developing the remote areas of western Siberia.

The Soviet side would supply labour and infrastructure but the project would still be the largest sour gas exploitation programme ever undertaken and could give rise to a significant demand for large numbers of pipelaying machines, bulldozers and other types of construction equipment.

## GATT counterfeit code dispute

BY BRU KHINDARIA IN GENEVA

U.S. PROPOSALS to include a code penalising commercial counterfeiting in the new GATT agreement has received a cool response from both the developing countries and some southern European nations.

Late last year, the U.S. alarmed by low-cost producers in some developing and smaller European countries who have flooded markets in Europe with counterfeit products, particularly in clothing such as jeans, introduced new proposals for a code of conduct which would outlaw such goods. The code's main purpose would be to deprive the parties to a counterfeit transaction of the benefits arising from the deal.

Almost all the code's features have yet to be agreed. Most developed countries have given in to U.S. insistence that such a code should be part of the Tokyo round package, but some major developing nations are

still not convinced that counterfeiting falls within the scope of international trade negotiations. They argue that the code should be negotiated separately within the World Intellectual Property Organisation (WIPO) which deals with trademark and copyright matters.

There is in any case a general developing countries who suspect that the large multinational corporations are trying to twist their arms through the U.S. negotiations to obtain unfair protection for their particular brands of products.

Developing nations are keen that internationally known products made on their territories should also gain world recognition to bolster their image as producers of quality goods.

## U.S., China textile talks

BY DAVID SUCHAN IN WASHINGTON

U.S. AND Chinese officials this

week opened their first commercial talks at an official level since the establishment of diplomatic links on January 1, with negotiations aimed at regulating the future inflow of Chinese textiles into the U.S. Mrs. Juanita Kreps, the U.S. Commerce Secretary, said last

## German, U.S. groups tipped for Hijaz study

BY RAMI G. KHOURI IN AMMAN

GERMAN AND American consultants among the eight short-listed international consortia of consulting engineering firms are best placed to win the feasibility study contract for the reconstruction of the 1,300km-long Hijaz Railway, the Jordanian Transport Minister, Mr. Ali Subhat, told the Financial Times.

This includes imports of computers and data processing material, capital goods, civil aviation material and material for regional bodies.

The State oil monopoly, Petrobras, has announced that, in 1979, it will purchase \$2.5bn-worth of equipment from national manufacturers.

Petrobras has encouraged rapid development of Brazilian onshore and offshore equipment industries which have absorbed foreign technology.

One consultant would then be chosen to undertake the economic and technical feasibility study, which would be

done within 12 months of contract signing in Amman at the end of February, Mr. Subhat said.

But he would not say which three consortia were chosen. However, the front-running position of the Americans and Germans would narrow the field down to Germanconsult and Swindell Dresser in one consortium; Dewey Cather, Louis Berger and Rives of India, another and Tams of the U.S. with the Canadian firm of Canadian Pacific and Tectrol, Parsons, Prinkerhoff, Center of the U.S. with Sofraser, Sogler and SGTR of France.

Tenders for the consultants are likely to be issued in the spring of 1979 with the target date for completion of the entire project set at about eight years after that, Mr. Subhat said.

Three of the eight that were chosen from the pre-qualification bidders have been designated to negotiate in Damascus during the first week of February with a technical committee representing Syria, Jordan and Saudi Arabia, who are jointly undertaking the Hijaz Railway reconstruction project.

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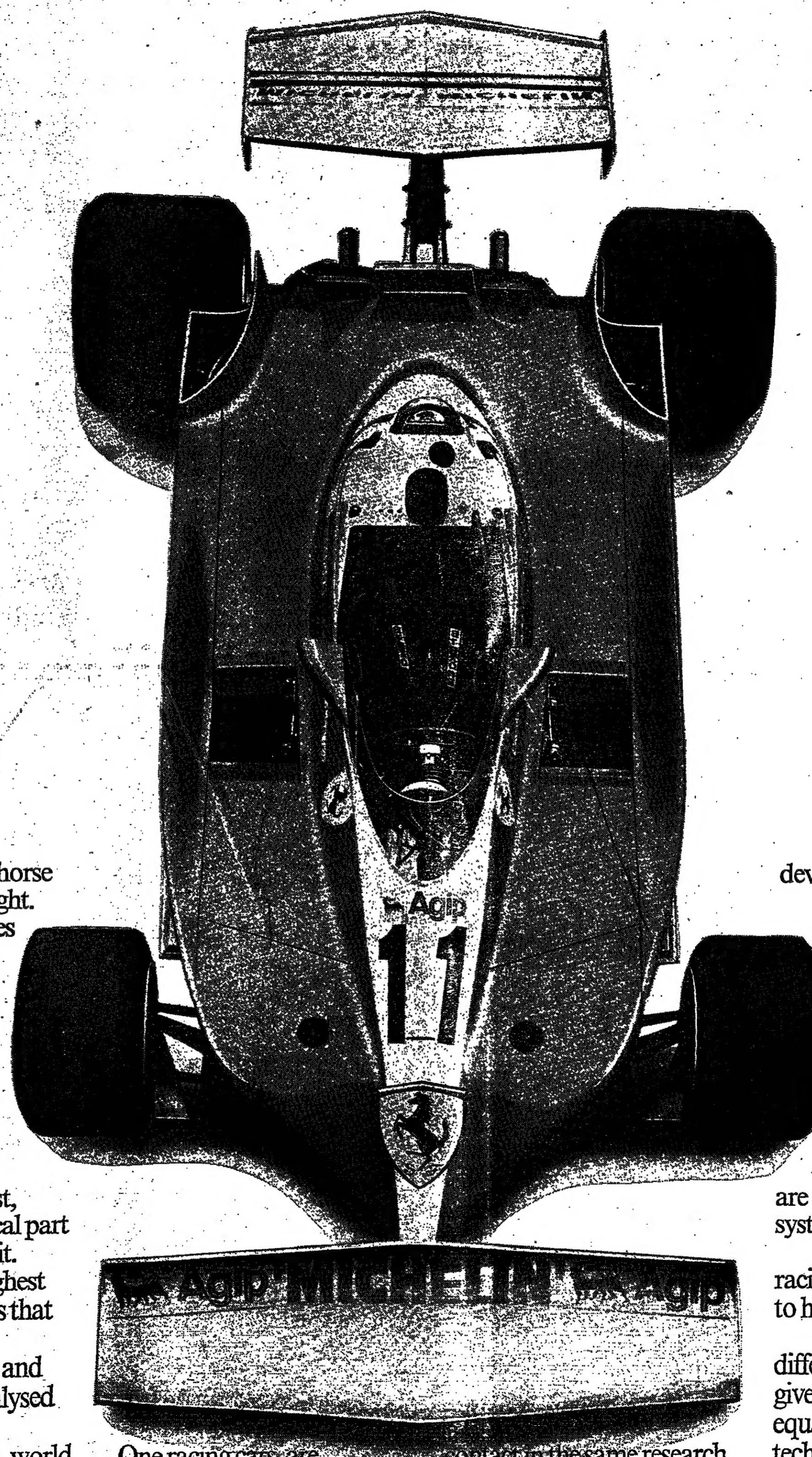
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# Christian name: Ferrari. Family name: Fiat.



300 km/h. 500 horse power. 600 kg in weight. Yet all this contributes a great deal to the everyday family car. For in the 2 hours or 300 km at top speed of a Formula One Grand Prix, a Ferrari undergoes what a family car does in several years. It's a concentrated test, where each mechanical part is stretched to the limit. A challenge of the highest order which demands that new solutions are continuously sought, and traditional beliefs analysed and questioned.

Fiat and Ferrari, world champions and makers of family cars and Formula

One racing cars, are exchanging information all the time. Continuous

contact in the same research centres. On the same test tracks. In the same

development laboratories. The sheer will to win, the fight to be first becomes a joint commitment, wider and more diversified, in the field of research.

The Fiat research centre, the wind tunnels, Ferrari's test track at Fiorano, and Fiat's at Nardò, are all part of a unique system.

Created specifically for racing cars and family cars to help each other.

Because these two quite different experiences can give rise to a common and equally successful technology.

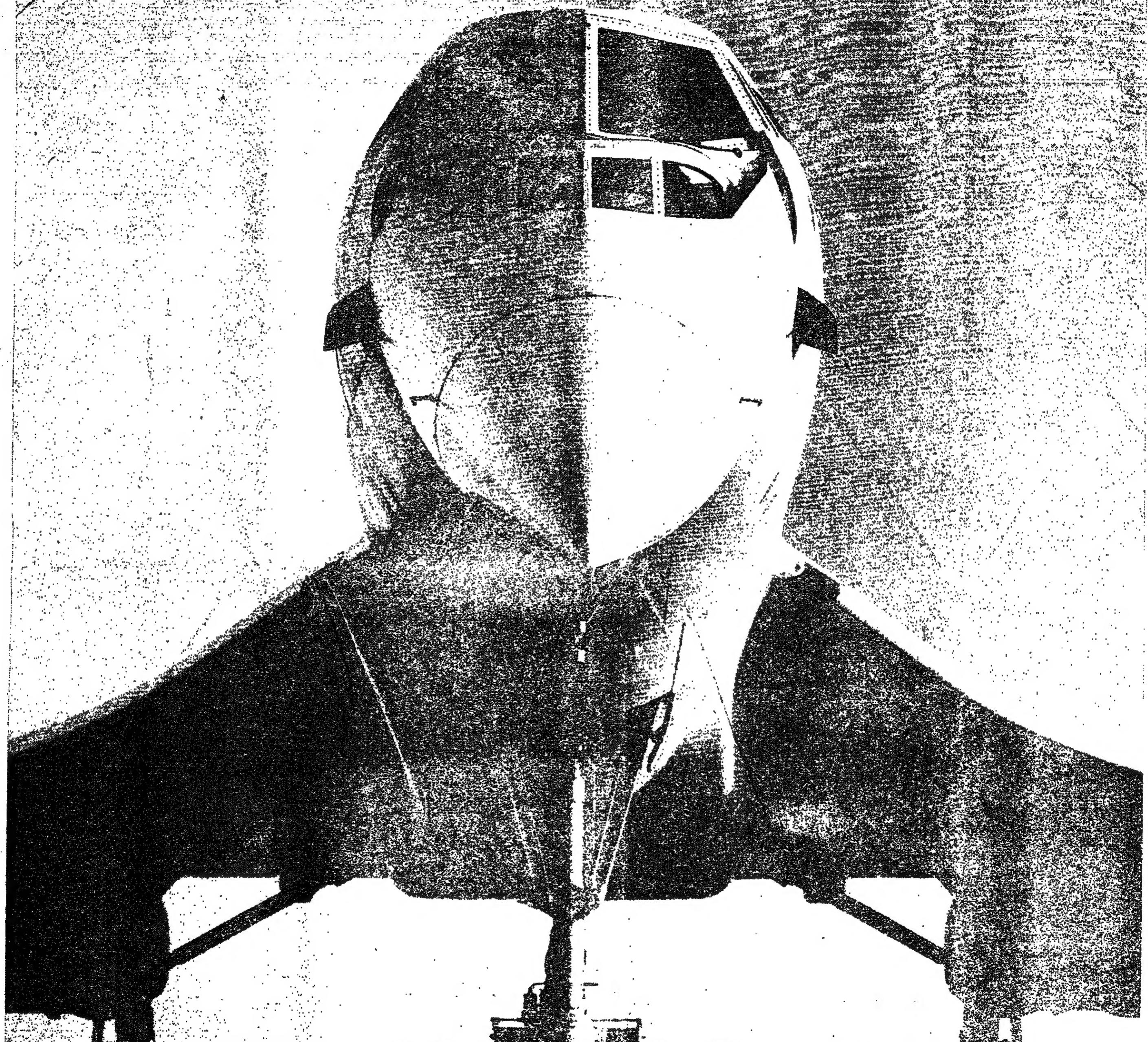
For Ferrari on the race tracks and Fiat on the roads.

## F I A T



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## UK NEWS - LABOUR

# Ambulances halt again in London and Merseyside

BY PAUL TAYLOR

IN THE wake of Monday's protest strike over pay policy by public-service workers, ambulance services were again disrupted yesterday when crews in some areas continued their industrial action.

Other local authority and health services throughout Britain were affected by sporadic strikes, but many returned to normal.

Ambulance services were hampered in London and on Merseyside. Emergency arrangements continued to be provided by the policy, voluntary organisations and, in London, the Army, too.

Ambulance men there had returned to work at 7 am, but then held meetings to consider their next move. During the day they returned to work at the 76 ambulance stations and a full resumption of emergency cover is expected today.

On Merseyside, nearly all the county's 800 ambulance men walked out after being told to work normally or not at all.

In Derbyshire, 400 ambulance drivers began working to rule and Hampshire men were answering only emergency calls. In the hospitals action continued in some regions. Birmingham laundry workers are expected to continue their

strike this week while in the North-East and Scotland a work-to-rule may affect services.

In London, Hammersmith, Westminster and St George's hospitals are threatened by lightning strikes. In Tameside, Greater Manchester, hospital catering staff began a week-long strike yesterday.

Most schools re-opened yesterday when caretakers and canteen staff returned to work, but bad weather kept some teachers away and schools closed. In the London borough of Haringey the caretakers' strike is being continued indefinitely and parents have been advised to keep children at home until further notice.

Some local authority services, such as road gritting and refuse collection, were disrupted by a continuation of the strike yesterday. In London all council manual workers in Southwark are to stay out this week and other London boroughs complained of difficulties.

More than 400 manual workers in Norwich went on strike after complaining that an unauthorised person had opened the city's car parks on Sunday.

Except in the North-west most water workers returned to work yesterday.

# Journalists challenge union over strike

BY ALAN PIKE, LABOUR CORRESPONDENT

THE HIGH COURT was asked to declare yesterday that the seven-week-long provincial journalists' strike, which ended last week, was unconstitutional and called in breach of National Union of Journalists' rules.

Leaders of the chapel (office union section) at the Birmingham Post and Mail, where many journalists disobeyed the strike call, were granted a temporary injunction to prevent the union from taking disciplinary action against them.

They were also granted an order blocking attempts by the union to prevent them from serving as chapel officers.

The orders will remain in force until Tuesday, when the union will be able to be represented at a resumed hearing.

The Birmingham journalists contend that although only about 9,000 provincial members were immediately involved in the dispute, indirectly it involved most of the union's 23,000 members.

They argue that the union rules state that no withdrawal of employment affecting a majority of members should be sanctioned without a two-thirds majority in a ballot.

Mr Alexander Irvine, QC, for the Birmingham journalists, told the court that the strike instruction was directed to provincial journalists and those on

the Press Association news agency.

The NUJ executive also instructed freelance and public relations members not to supply material to provincial newspapers or the PA, and national newspapers not to handle PA copy.

He contended that more than 20,000 NUJ members were involved, adding:

"We submit that not only was the strike called in breach of collective agreements which had a month to run, and which provided that there should be no industrial action until the disputes procedure part of the agreement had been exhausted, but it was called in plain breach of the rules of the union."

A disciplinary hearing against about 100 NUJ members who disobeyed the strike instruction is due to begin in Birmingham on Monday. Penalties could include fines, suspension or expulsion.

The NUJ emergency committee yesterday approved a campaign of action designed to gain the reinstatement of 28 journalists on the Nottingham Evening Post who were dismissed for taking part in the strike.

The 28 will receive full victimisation pay and all NUJ members are being told not to apply for jobs on the paper or supply it with material.

# Callaghan sees Britain as new 'silicon valley'

BY PHILIP BASSETT, LABOUR STAFF

BRITAIN HAS a great chance of becoming the "silicon valley" of Europe, the Prime Minister told a TUC industrial strategy conference on electronics yesterday.

He said that the country was reasonably well placed to become a main micro-electronics centre with the U.S. and Japan, the two countries ahead of the field.

Mr Callaghan described two interlinked strands of development. He said the immediate need to control inflation was the foundation of the Government's economic policies. Without that the country would not become more efficient.

Secondly, the UK must strengthen its productive base by greater efficiency. The

longer-term industrial strategy was aimed at that, without it Britain would not achieve sustainable, non-inflationary growth in the real value of pay.

The industrial strategy was bringing together employers, workers and the Government and the TUC conferences were a welcome reminder of the constructive side of trade unionism.

Trade unionists could help by their readiness to change working practices. Better productivity would improve efficiency and the standard of living.

The Government had been trying to meet the challenge. The age of the intelligent machine had dawned, but priority should be given to humans.

## Steel lay-offs top 26,000

THE BRITISH STEEL Corporation last night closed its plate mill at Scunthorpe, laying off almost 500 production workers. This brings total lay-offs in the steel industry to more than 26,000.

Officials at Scunthorpe blamed the three days of rail stoppages, the lorry drivers' dispute and bad weather.

# Group opposes TUC 'monopoly'

BY ALAN PIKE, LABOUR CORRESPONDENT

MEMBERS OF non-TUC affiliated trade unions are urged in a report published yesterday to "break the monopoly" of representation held by TUC organisations.

The Managerial, Professional and Staff Liaison Group says that "complaints couched in the strongest possible terms, supported by litigation, parliamentary lobbying for equal rights, and any other necessary action should be lodged with any employer, local authority, institution, political party, government department or government that acts with anything less than rigorous impartiality towards all trade unions."

The group, a federation of non-TUC unions, claims an affiliated membership of more than 500,000, including scientists, doctors, dentists, bankers, teachers and engineers.

In its report it detects a pattern of "political manipulation . . . to establish and maintain a monopoly of employee representation at local, industry, enterprise and national level."

The TUC and its affiliated unions, the group complains, have:

Established a monopoly of employee representation on such bodies as industrial tribunals and the Advisory, Conciliation and Arbitration Service;

Instructed negotiators to withdraw from negotiating machinery, "whenever an opportunity exists to disrupt or prevent recognition by employers of non-TUC affiliates or manipulate them into TUC affiliation";

Advised sponsored MPs to introduce legislation discriminating in favour of TUC unions;

Non-TUC-affiliated unions, the report says, have come to

a point where they "distrust the ACAS Council in its dealings with recognition issues, although they acknowledge the fine work done by ACAS officials involved in conciliation, advice and arbitration, within the limits of their instructions."

Leaders of the non-TUC unions show some disagreement about how best to promote their objectives. Mr Paul Nicolson, who resigned recently as general secretary of the Confederation of Employees' Organisations, yesterday accused the union group of failing to grapple with the task of raising enough money to promote its objectives.

He said that the politically independent trade union movement "sometimes teeters on the edge of being a thinly disguised arm of the Conservative Party" and accused some of its affiliates of "intense parochialism."

The Government's 5 per cent guideline, which determined the initial offers by separate regions

which began officially in some areas three weeks ago, has lasted longer than the employers and union expected.

Although there are indications that many haulage companies in four or five specific areas are prepared to concede the unions' money claim in full unless their drivers resume work fairly soon, some estimates suggest that the strike may last another week or two.

Factors that have lengthened the dispute include the Government's now ruined pay guideline, misjudgments by the employers' body, the Road Haulage Association and the Transport and General Workers' Union, and the nature of the industry's negotiating machinery.

The Government's 5 per cent guideline, which determined the initial offers by separate regions

# Haulage pickets ease hold on some ports

BY LYNTON MCALPIN

PICKETS eased their stranglehold on some of Britain's ports yesterday, but there were no pickets of resistance around the coast to any reduction in industrial action.

The port of Tees was at a standstill, but there were no pickets at Sheerness and the port operated normally.

More lorries were allowed into the ports of Hull, Immingham, Grimsby and Southampton. Pickets were still active, but more hauliers were given dispensations to collect cargoes.

Timber was delivered to Nottingham, in one of the first relaxations of the blockade of the Hull docks.

Companies operating their own lorries were also allowed to collect imports which had piled up at the docks. But export traffic remained at a standstill at many ports as picketing continued at factory gates.

Tolmans, a Hull car distributor, sent two car transporters to Hull docks yesterday, almost a week after the transport workers' union gave it dispensation to collect imported cars.

Dover dock workers at the Western Docks refused to load vehicles operated by five local members of the Road Haulage Association, after the drivers agreed to accept a management pay award.

There was a good flow of heavy lorries at Immingham, the British Transport Docks Board said. More companies were given permission by the union to collect goods.

Over 180 tons of zinc for export was delivered to Cardiff docks, and 2,100 tons of tea and coffee was on its way to the port after being diverted from Avonmouth, which was still becoming rapidly congested.

This follows lay-offs of no more than 200,000 by last night in spite of forecasts that they would total 1m to 2m by the end of last week.

The 1m forecast was made by Mr Denis Healey, Chancellor, when he met TUC leaders on January 11. At the same time, informal estimates from industry were putting the possible figure at as high as 2m.

Yesterday, Sir John Major, the confederation's director general, said that he hoped he would never be accused of

# Layoff forecasts 'were not designed to scare Ministries'

BY JOHN ELLIOTT, INDUSTRIAL EDITOR

THE

Confederation of British Industry yesterday denied that it had tried to scare the Government at the start of the lorry drivers' strike with forecasts and been consistent with the Government's figures.

Both he and the Chancellor had made their estimates and he was "absolutely" more wrong than 1m, Sir John claimed.

These remarks, however, do not explain the gap between the Chancellor's 1m and the top figure of 2m estimated by industry, and both turned out to be far too high by the end of last week when layoffs totalled about 200,000.

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## PM urges trade unionists to cross picket lines

BY PHILIP RAWSTORPE

**MR CALLAGHAN**, asserting the public right to cross picket lines, bluntly warned the unions yesterday that there were limits to the nation's patience. There were also limits to Government spending on public services, he added.

The Prime Minister devoted most of his 15 minutes in the Commons to some plain speaking on pay and pickets. It scarcely endeared him to the Labour left but it helped quiet the rampant Tories.

Mrs Margaret Thatcher had been waiting impatiently to repeat her offer of help to the Government in legislating to curb the pickets—and any other union powers. "Are you going to do nothing?" she demanded.

New laws would provide no remedies. "Mr. Callaghan retorted. "But he continued: "I assert very clearly that everyone has the right to work... and to cross the picket lines. It is not a sacred object."

There was nothing in law to prevent people from crossing

picket lines to carry out their duties.

Amid Tory protests, the Prime Minister said he saw no reason why anyone should be forced to stop work. There was nothing to stop any citizen crossing picket lines. "I would do so myself if I believed we were right."

He agreed with anxious Labour MPs that experience had made him sceptical of the effects of legislation on industrial relations.

Labour MPs received more disconcerting cautions in reply to questions about low pay of public service workers.

How could the Government's pay policy work in the public sector when strikers in private industry got what they wanted, asked Mr. Mike Thomas.

There was a difference between these sectors, Mr. Callaghan replied. "There is at least some operation of market disciplines in the private sector. People can lose jobs," as they are doing at the moment.

## Steel seeks all-party inflation policy pact

BY ELINOR GOODMAN

**THE LIBERAL** leader last night raised the possibility of an all-party pact to reach a consensus on counter-inflation policy.

Mr. David Steel, who last year ruled out any formal agreement with the Tories, conceded that Mrs. Thatcher made sense when she called for a change in the balance of power held by the unions.

In a speech at the National Liberal Club, Mr. Steel repeated the idea—heard frequently during 1978—that considerable common ground existed between moderates in all parties.

Calling for a statutory wage freeze to hold the tide of wage claims until a longer-term counter-inflation policy could be agreed, he claimed that a clear majority existed across party lines for a package of proposals to control inflation and industrial anarchy.

Parties had a duty to discuss things among themselves, he said in what looks like a preview of Liberal election policy. The Government should not reject Mrs. Thatcher's offer of

co-operation to secure fresh legislation merely because she had come "rather late" in the day to the principle of inter-party cooperation in a common national cause."

Mr. Steel said that Mrs. Thatcher was right to raise the question of union power and secondary picketing just as Mr. Callaghan was correct to stress the need to put the rights of the community above the rights of any group.

At present, Labour's left-wing exercised a veto over union legislation, while the Tory right-wing would exercise a veto over prices and incomes legislation by a Tory government.

Since the end of the Lib-Lab pact last year, the Liberals have begun to feel a little left out, with the Government taking more notice of the nationalist parties than of the Liberals.

Last night's speech would seem to represent a bid by Mr. Steel to get back into the mainstream, and to exploit what the Liberals believe to be increasing public dissatisfaction with partisan point scoring.

## Booth urged to end stalemate at Times

**THE GOVERNMENT** has been asked by Tory and Labour MPs to try again to bring about a resumption of publication of *The Times* and *Sunday Times*.

Mr. Albert Booth, Employment Secretary, admitted yesterday that his efforts so far to bring about an agreement between the parties to the dispute had not succeeded.

He said some agreement had been reached in talks at his department and he urged MPs to use their influence with both sides to persuade them to implement it.

Government intervention in *The Times* dispute was urged by Mr. Christopher Price (Lab., Lewisham W.), who accused Lord Thomson of taking his personal wealth—which had been pledged to support *The Times*—to Canada.

"The Government bears a real responsibility to make proper arrangements if the titles of *Times* Newspapers are sold to somebody else," he said.

Mr. Booth said the Government aimed to keep as many newspaper titles as possible in existence in the provinces and Fleet Street.

Mr. Philip Whitehead (Lab.)

Derby N) urged Mr. Booth to make another attempt to get the parties together as more and more *Times* employees were being dismissed.

"We are losing two great national institutions in what is really a management virility symbol."

Mr. Booth said the dispute was very complicated and one in which it was only too easy to apportion blame to the various parties.

"We can and have agreed a way to remove many of the barriers to a recommendation of *Times* publication. That is what I want to do as speedily as possible."

Alan Pike, Labour correspondent, writes: In mid-December, Mr. Booth persuaded *Times* Newspapers management and the print unions to accept a formula which would have cleared the way for negotiations on all issues, including new technology.

The unions, however, are not prepared to negotiate unless the company lifts dismissal notices sent to about 3,000 employees and the prospect of talks remains deadlocked by this issue.

## Ulster hopes rise

BY OUR BELFAST CORRESPONDENT

**THE MAIN** political parties in Northern Ireland will soon begin a new round of talks with Mr. Roy Mason, the Ulster Secretary, in another effort to find a consensus which would lead to devolution of a wide range of powers to a local assembly.

At his meeting in London today with Mr. Michael O'Kennedy, the Irish Foreign Minister, Mr. Mason will be able to hold out some hope that

## Help for small companies

BY ANDREW TAYLOR

**CONSERVATIVE** MPs are beginning to press the Government to exclude small private companies from certain aspects of the Companies Bill, which has now reached committee stage.

The Opposition has already successfully included an amendment to the Bill, creating a new category of private business—the proprietary company—which it hopes to use as a springboard for further amendments.

Proprietary companies include

small private businesses with net assets of less than £1m, with fewer than 200 employees and most important—where all shareholders are directors.

Yesterday Conservative MPs

## Spending advice pleases Minister

BY IVOR OWEN

## 32,000 Scots laid off

BY IVOR OWEN

UNION PICKETS were urged to relax their stranglehold on the Scottish ports by Mr. Bruce Millan, the Scottish Secretary.

He told MPs that the effect of the lorry drivers' strike on the Scottish economy had so far resulted in the layoff of some 32,000 workers in manufacturing industry.

"This number is likely to rise sharply if the dispute continues," Mr. Millan warned.

Small businesses were being

affected, and the flow of exports from manufacturing premises through the docks was severely curtailed.

Loss of exports could mean particular would be considerably lessened.

Supplies of fresh food—bread,

milk, meat, fruit and vegetables—were adequate. The main items in short supply were sugar, salt, margarine and cooking fats, cereals and frozen foods.

Difficulties with some food items had been reflected in the Scottish Islands.

Tories to toughen supply-day tactics

By Elinor Goodman

**THE CONSERVATIVES** have changed their tactics for tomorrow. Instead of using their supply day to attack the Government on the narrow subject of prices, they intend widening the debate to the whole economic and industrial situation.

The idea seems to be to phrase a motion couched in terms of the national interest.

In this way, the Tories will continue their policy of trying to project their party as one more concerned with the fate of the nation than in scoring party points.

The original idea had been to use the day allotted to them to choose the subject of the debate to attack the Government's record on prices.

If the Government brought forward a more modest Bill, scaling down the requirements more in line with last week's expenditure White Paper, the Liberals would give it fair consideration.

Mr. Peter Hordern (C., Horsham and Crawley) alleged that the report and accounts of the Board were grossly misleading. The figures given showed the pre-interest return to the taxpayer of public dividend capital was taken into account, the NEB would show a significant loss.

## MPs demand more NEB facts

BY JOHN HUNT, PARLIAMENTARY CORRESPONDENT

THE Industry Bill, which raises the borrowing powers of the Auditor-General with a view to giving him wider powers.

MPs last night remained unsatisfied with this undertaking and sought a categorical promise that the Comptroller would be given access to NEB books to carry out a full examination and report to the Commons last night.

The Liberals said they would vote for a Conservative amendment which opposed the second reading of the Bill on the grounds that the Government had not given enough financial details of NEB operations.

The amendment said there was totally inadequate documentary evidence of the board's performance and prospects.

When the second reading debate started last week, Mr. Eric Varley, Industry Secretary, announced that a study would be carried out of the

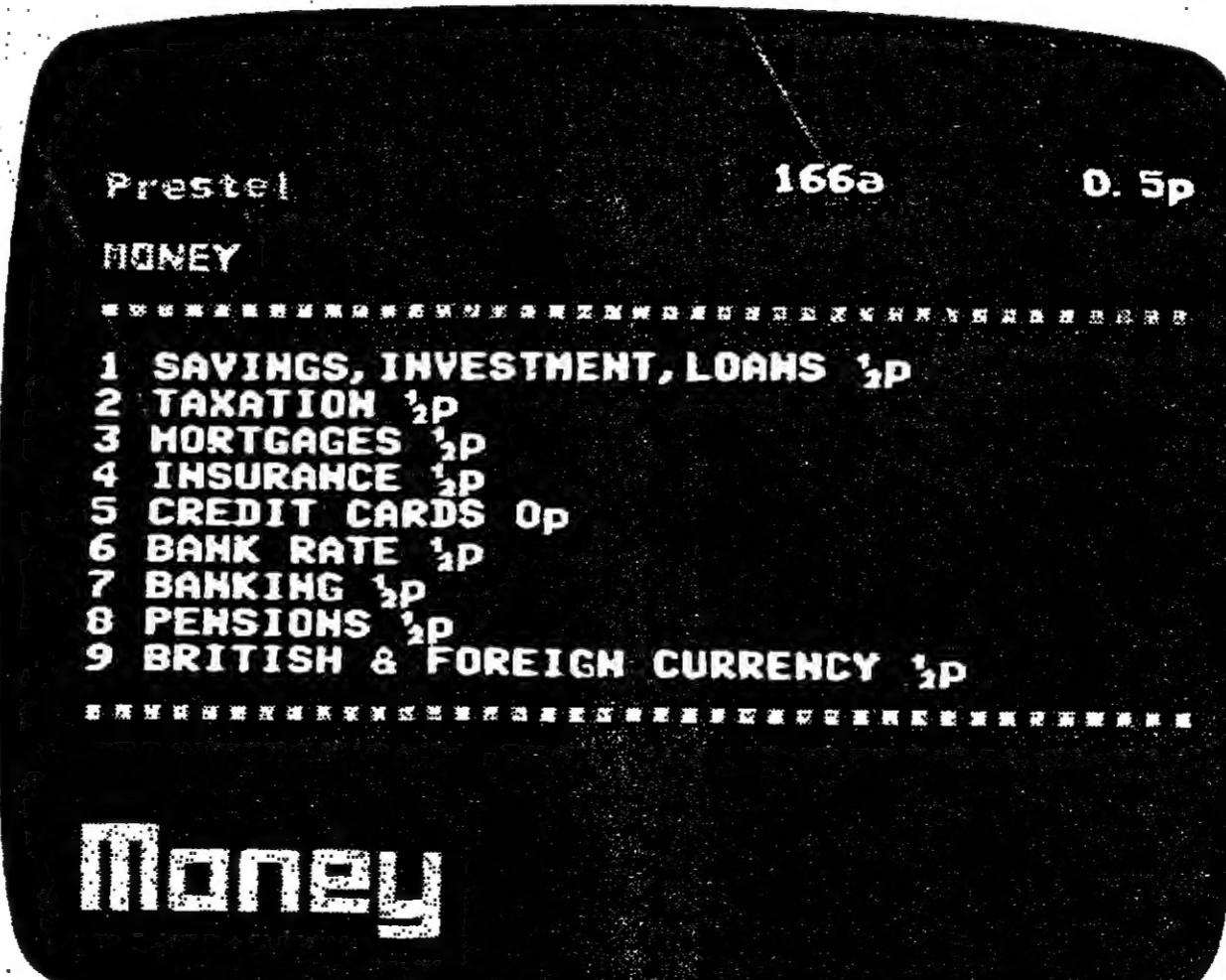
role and function of the National Enterprise Board and its subsidiary companies by a further £3.5bn, ran into stiff opposition in the Commons last night.

The Liberals said they would vote for a Conservative amendment which opposed the second reading of the Bill on the grounds that the Government had not given enough financial details of NEB operations.

The Bill raises the borrowing ceiling for the NEB and its subsidiaries from its present limit of £1bn to £4.5bn over the next five years. Much of this is for its largest subsidiaries, BL and Rolls Royce.

Mr. Richard Wainwright (Colne Valley) stressed that, unlike the Tories, his party did not want to see the NEB run down. But he thought the proposed £4.5bn was a "horrible figure" and that there must be

## If you own a television set, you probably won't be able to read this.



It's a page from the new telephone-linked home information service, Prestel.

And, as yet, only a tiny proportion of television sets in this country are designed to receive it.

Which means that even if you invested in a new set as recently as one year ago, you won't be able to read a page of it in your own home.

It's just one of the developments in television technology that have happened over the last few years.

And it's just one of the reasons why renting rather than buying a set is the best way to keep up with progress.

If you rent a television set from Radio Rentals, you can change models each year to cope with the accelerating pace of technology.

Already Radio Rentals have installed the

first Prestel sets in customers' homes.

And even at this early stage, there are over 800,000 pages of information available to Prestel subscribers.

It's a sign of the way television is moving from being a simple means of entertainment to a much more complex domestic information medium.

Ceefax and Oracle, for instance, the BBC and ITV information banks, are now plugged in to a great many Radio Rentals homes.

We already rent home video recording equipment.

All of these additional facilities are ready and waiting for any of our customers who want to make use of them.

So if you are thinking of investing your own hard-earned cash in a new television set, pause a moment.

Because you could well find that next year, your brand-new set seems a lot more than 12 months old.



We have a view to the future.

## MANAGEMENT

EDITED BY CHRISTOPHER LORENZ

# Unilever squares up to the economic slowdown

BY CHRISTOPHER LORENZ

**MANAGEMENT SHOULD** stop pretending to themselves and their shareholders that the world economic slowdown necessarily means slower corporate growth. Recognising that as growth falls, risk increases, managers should get out from under their desks, formulate a proper strategy, and manage.

This was the overriding theme to emerge from presentations by some of Europe's largest companies on "Strategies for the Early 1980s" at a conference in Brussels last week.

Too many companies had relied simply on expansion of the market, rather than active management, to increase their sales and profits in the golden sixties and early seventies, said one speaker at the conference, which was organised by Euro-finance, the Paris-based investment research organisation, and attended by more than 200 top European financiers.

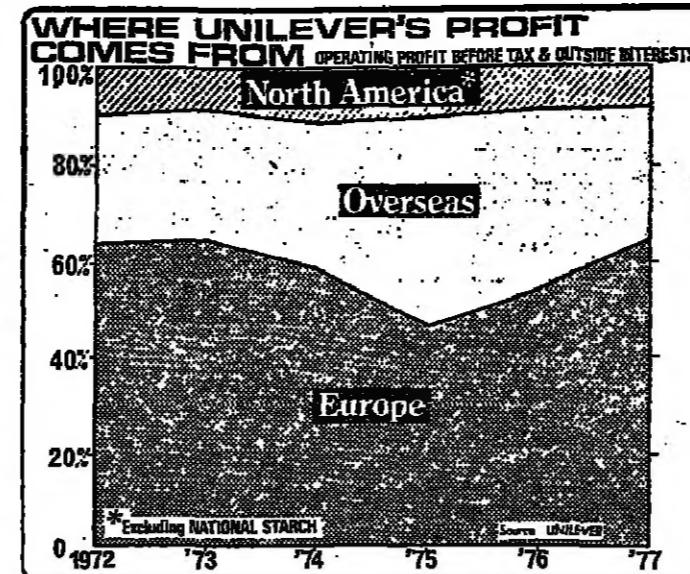
The most revealing analysis of past and future strategy was given by Unilever, in the person of its chairman, Mr. H. F. van den Hoven, and its director for corporate development, Mr. H. Meij. Mr. van den Hoven outlined Unilever's ambitious long-term aims. Mr. Meij gave an unusually detailed insight into the varied geographic and

product strategy of this normally shy multinational.

Unilever, the Anglo-Dutch foods to chemicals group, might seem to be in the front line of any slowdown in consumer spending. But it intends to continue to grow just as fast as in the past, in real terms, the conference was told by the Chairman of its Dutch arm, Mr. H. F. van den Hoven. And it wants to generate enough profit to finance this growth out of its own reserves. So profitability will have to be improved.

Seizing one of the nercest bulls by the horns, Mr. van den Hoven said he was fully prepared to see a gradual increase of local participation in Unilever's subsidiaries in developing countries—a trend he refuses to describe as a "problem." In contrast with many other multinationals, and in spite of the disruption caused by enforced participation in Unilever's Nigerian interests.

Analysing Unilever's performance and policies over the past 10 to 15 years, Mr. Meij said its annual growth had been roughly in line with increasing consumer expenditure in the countries where it operated, with acquisitions adding another half or one per cent to that. But profits had failed to



or three per cent below. So Unilever's proportion of sales would fall.

But profitability would be boosted in several ways. Better use would be made of capital, by adapting cost structures to lower growth. This would include a reduction of overheads "by altering power structures." Mr. Meij also cited rationalisation in several

sectors, including meat, chemicals and packaging.

The strategy of moving into premium products in Europe would be continued in all product areas. Unilever expected increased demand for convenience products in all areas, so it should be possible to raise gross margins all round, said Mr. Meij. This was all the more necessary because of the

growing burden of tax (especially in West Germany).

Commenting on suggestions that Unilever was over-dependent on the UK, a low-growth country, Mr. van den Hoven said that UK consumer spending was not only surprisingly high, but that "margins from some of our UK businesses are greater than from the Continent."

Outside Europe and North America, Unilever was still primarily a detergent company, with the exception of UAC, Mr. Meij said. "Overseas" markets accounted for over a third of Unilever's detergent sales, and even more of profits. But sales of toiletries and animal fats were increasing fast. Overall, overseas growth should be "considerable," he said, with sales growing at least as fast as purchasing power.

Unilever was also going for growth through acquisition. Hence its purchase last year of National Starch and Chemical Corporation, which was "financially sound and excellently managed," and was providing 5 per cent of Unilever's total profits.

As for Unilever's future

product "mix,"

Mr. Meij said the group did not have the "Volkswagen problem" of a relatively narrow product range, from which diversification was necessary. So Unilever intended to remain "within, or in the fringes of,

its existing product groups" in a known technology and distribution pattern. "The risks of further diversification would be very considerable," he said.

Consumer products would continue to account for between 60 and 70 per cent of sales, with the "overseas" sector growing faster than Europe, while industrial product sales would grow relatively fast in Europe and the U.S.

Unilever's research efforts (currently running at about \$250m), were being largely concentrated on improving existing products and processes.

Mr. Meij expected Unilever's cash flow to continue to be sufficient for growth needs. But he was asked, would this still apply if there were a sizeable increase in the price of raw materials?

Admitting that the group's working capital was large—about 15 per cent of sales, and roughly equal to its investment in fixed assets—Mr. Meij said the most severe impact he could envisage was the equivalent of 5 per cent of sales. This had been taken into account in Unilever's financial strategy.

As for Unilever's future product "mix," Mr. Meij said the group did not have the "Volkswagen problem" of a relatively narrow product range, from which diversification was necessary. So Unilever intended to remain "within, or in the fringes of,

which had already been found in a field unrelated to its own. It will obviously be some years before the "grey literature" of Europe automatically becomes recorded at a central point. Only new publications would be received, because of its impossibility of collecting existing work and because of the relatively short life of much research.

Although the database would only contain the most fundamental information—titles, author, corporate author and where to get it, as well as an identifying code—it could be offered to secondary abstracting and indexing services, concluded the York conference.

## Pilot

The limiting factor to the establishment of databases of grey literature is not the technology but the problem of building up the information, says Gibb. Which means that the producers of the semi-published works will need educating in the benefits of registering their material.

Demand for this type of information is increasing, he says. Throughput companies research is growing—not just in design, production and research departments, but marketing and general and legal.

WANG

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Powerful Prime minis

POOR compatible and powerful superminis have been launched in London

# FINANCIAL TIMES SURVEY

Wednesday January 24 1979

مكتبة من المجلة

## Building Societies

Like other financial institutions, the building societies were beset last year by a number of problems—not least fluctuating interest rates and an official ceiling on lending. Demand for home ownership remains strong, however, and the societies will be hoping for calmer conditions in the current year.

### Trying to cope with demand

By Michael Cassell

**T**HREE BUILDING societies' impressive effort to help the spread of home ownership during 1978 disguised what for the industry itself was in many ways a troublesome year. As the societies pursued their fundamental role of attracting and lending out money for mortgages, they found themselves deeply immersed in a succession of problems which they would rather not have encountered. By the start of 1979 few of the problems had been resolved.

Last year started well enough. The societies had notched up another year of records in 1977 and were in a good position to continue on the same path. They were recording a high net inflow of new savings, offering a competitive interest rate and working in a favourable

financial climate, with Minimum Lending Rate at 7 per cent and their own liquidity levels at an average 21 per cent.

With the year only two weeks old, the societies felt able to reduce the mortgage rate to its lowest level for nearly five years and to predict that the level of home loans arranged in the next year was set to rise substantially.

While just about every other factor affecting their operations was set to change, however, the societies managed to honour their predictions on mortgage lending. During the past year the movement made about 800,000 home loans to house buyers, a rise of over 80,000 on the previous 12-months. They actually advanced around £3.7bn, a 26 per cent increase on the 1977 record total of £2.8bn.

Of the 800,000 home buyers helped, an estimated 375,000 were buying property for the first time, representing a minor reduction on the record levels achieved at the start of the decade, but a trend to be expected as owner-occupation continues to spread and the number of first-time purchasers falls.

The societies were able to claim that they had enabled over 3m families to purchase their first homes in the 10 years up to the end of 1978.

But almost from the very beginning of last year conditions for the societies became less favourable and their problems

### Targets

It is to their credit that despite the sharp change in climate to which the societies were subjected and their necessary preoccupation with a wider set of problems, they stuck to and succeeded in meeting their original targets.

The societies enter 1979 in a far less favourable position than the one existing twelve months ago and because of the heavy drain on resources experienced in 1978, the societies could face a potentially difficult time ahead.

In the short term they confront an MLR of 12½ per cent, which has led to the introduction of the second highest mortgage rate on record (11½ per cent) and now find themselves with an average liquidity level down to around 17 per cent and still falling.

The figures show that the societies took in about £3.5bn in net receipts during 1978 (against £2.7bn in the previous year), although they managed to advance nearly £2bn more than in 1977. To achieve this it was

necessary for them to add about £1.7bn of liquid funds to repayments of principal, a course they will be very anxious to avoid during 1979.

Competition from other investment institutions is particularly strong and it seems unlikely that the societies will be able to contemplate any further significant increase in interest rates generally without improving their own competitive position.

They are at least fairly confident that with the rate of house price increases becoming more normal, lending levels need not be subjected to the type of arbitrary reductions imposed last year following the Government's intervention.

Whether the societies are forced to trim lending programmes because of a continuing shortage of new funds and a reluctance to cushion advances with liquidity remains to be seen however.

The societies are also well aware that demand for loans has shown no sign of falling off, despite the recent rises in the cost of home loans and the substantial increases recorded in average house prices. It is tempting to suggest that perhaps the societies and various governments have conspired to create a demand with which

despite past successes, they are unable to cope.

The queues for mortgages remain long and impatient,

constantly tarnishing the

societies' laudable efforts, and

the desire for owner occupa-

tion grows increasingly strong.

With 54 per cent of the

country's housing stock now

privately owned, the opportu-

nities for further growth of

privately owned tenure can

hardly said to have been

exhausted.

How the societies can begin

to cope with the demand

remains one of their most

pressing problems. The chief

executive of one of the major

societies recently predicted

that it would double in the next five

years. Mr. Alan Mason of the

Provincial suggested that

advances would very soon

exceed 1m in number and that

it was not unreasonable to

assume that by 1984, mortgage

advances would be 3.5bn.

Mr. Mason, whose views about

which way the societies must

move in order to maintain their

past successes are not

universally shared, does not

necessarily believe that these

figures will be achieved but is

convinced that demand will

justify a lending programme of

this magnitude.

Neither will some of his

suggestions for securing an

adequate and constant supply of

funds and for overcoming the

apparent weakness of stable

capital be accepted by all his

colleagues, but the debate would

appear to be essential.

Few people would quarrel

with Mr. Mason's assumption

that the problem of raising

funds sufficient to meet the

future rate of mortgage demand

and the prospect of competition

for their traditional business

from other quarters is going to

represent a major task. There

seems little doubt that, at least

in some respects, the industry's

structure will need to be

changed, though its fundamental

role should remain the same.

The proposals that in order to

encourage larger investments

and greater stability by offering

nominal interest on smaller and

expensive-to-service accounts is

not new, but it is the type of

option which societies will soon

have to examine.

### Potential

Calls last year from the

Governor of the Bank of

England for societies to examine

the potential for tapping money

from institutions and to look to

the wholesale money market as

an alternative to the private

individual will also provide con-

siderable food for thought

though such developments—also

envisioned in the Housing Policy

Review—would be considered by

many societies to remain a long

way off.

Some believe a great deal can

and should be done to attract

more funds from the industry's

traditional sources, at least par-

ticularly by offering a far wider

range of financial services for

investors—even if such a course

involves what they would regard

as an inevitable collision with

the banks.

But 1978 will be remembered

for the birth of two specific

problems for the industry, the

first being the Government's

further intrusion into the industry's

affairs in the shape of the

agreement to set down quarterly

mortgage lending ceilings.

Having accepted for some time

that interest rates charged by

the industry can effectively be

set by Ministers of the day,

societies now have to face the

fact that Government has also

established a precedent for

guiding future lending pro-

grammes and found another

device for helping to contain

inflation.

The societies publicly

emphasise that the lending

quotas have been mutually

agreed and not been imposed from

above. But behind their

more private opposition to the

scheme is a resolute denial that

societies can be held primarily

responsible for price movements in

the housing market.

Perhaps the Government's

intervention was the natural

conclusion to a period in which

the societies' reluctance to

incur the displeasure of

Ministers, for fear of stirring up

threats of tighter controls, had

itself been instrumental in

whittling away much of the

independence they were so

anxious to protect. And despite

the serious objections held by

many societies expected to co-

operate in the lending limit con-

cept, few voices were publicly

raised in opposition.

For the time being at least

the lending ceilings remain in

force, though the situation has

changed dramatically since they

were introduced.

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## BUILDING SOCIETIES II

# Leaders take a closer look at opportunities in Europe

A LEADING Bausparkasse—the nearest German equivalent to a UK building society—has recently established an experimental office in Luxembourg. On its own that may seem a small and perhaps unexciting step but its purpose was plain and the implications could be highly significant. The Luxembourg venture, in fact, is the first practical example of activity across EEC frontiers in the politically sensitive field of housing finance.

Up to now building societies—and similar institutions elsewhere in Europe—have operated strictly within national boundaries. UK Societies may have outgrown their provisional origins but until recently their relevance beyond Dover had not been seriously considered. But just as banks and insurance companies have for some time now been spreading their wings abroad, the day when the Halifax or Nationwide open their doors to customers in France or Belgium may not be far off.

Ever since Britain joined the EEC in 1973, UK building societies have been discussing the possibilities of opening branches outside this country. But last year the debate began again. Two research groups, for example, were set up by the Building Societies Association (BSA) to look into the legal, financial and marketing complications which building societies will face when and if business begins on the Continent. The two countries which they have set out to examine are West Germany and Belgium.

In Belgium there is a big colony of UK expatriates centred round NATO and the EEC institutions. It is thought that this nucleus may provide a suitable customer base for the future. Moreover, if people did not wish to buy a house in Belgium, branches on their doorstep would afford a suitable opportunity to save for a day when they returned to the UK. The reasons for studying conditions in W. Germany are more nebulous. German thrift and prosperity are considered qual-

ties which should be compatible with the desire for home ownership and hence the establishment of branches could meet with a healthy response. The German Bausparkassen meanwhile are second only in size to the British building society movement, which has assets of almost £40bn.

These studies—which are primarily a means of preparing the way for changes which will be needed in the law should be seen against a background of already well developed European contacts by British building societies.

## Member

The BSA, for instance, is a member of the European Community Mortgage Federation (ECMF) and the European Federation of Savings and Loan Institutions for Construction (sometimes referred to as the European Federation of Building Societies—EFBS). The ECMF is the more broadly based and members are drawn from fields outside the housing sector, such as industry and shipping. The EFBS, on the other hand, is closer in spirit to the BSA while its make-up is much more specialist. The Federation's triennial Congress will be held in London next September, for the first time.

Another channel of information is the City EEC Committee which keeps the BSA (as one of the committee's members) in touch with the attitudes of other British institutions on questions of EEC policy.

Just how seriously building societies are taking the opportunities provided by fresh European pastures can be seen by plans to hold a weekend seminar in the Midlands in March. The gathering will be opened by Mr. Christopher Tugendhat, the EEC Commissioner responsible for financial institutions, who has already expressed strong support for the principle of building societies commencing operations in Europe.

Despite all the talking, however, there are still a number of obstacles and we may be well

into the next decade before building societies get the go-ahead to cross the Channel. Moreover, with the demand for mortgages stronger than ever in this country, some people question the wisdom of a socially responsible mutual movement expanding beyond its national boundaries.

The BSA's justification, however, is that Continental branches are a logical result of Britain's membership of the EEC. Just as locally based societies (the Leeds, Halifax, Bradford and Bingley, for example) have become national so UK building societies should be ready to become European.

More specifically, UK building society leaders feel they have plenty to offer. Their service has several advantages over most of their European counterparts—such as no obligatory savings period (in normal times) and comparatively large advances (relative to the total house price). Although societies do not make distributable profits, societies argue that they should in time contribute to Britain's invisible earnings.

A further and more recent motive for prompt action in regard to the whole question of Europe can best be illustrated by the Luxembourg office which began this article.

As the BSA points out in its evidence to the Wilson Committee: "The Government should not allow a situation to develop whereby the Bausparkassen, for instance, are empowered to operate in Great Britain but the building societies remain without powers to operate in West Germany."

In other words there is some concern that the Germans should not steal a march on their UK counterparts. The British Government, in fact, does not at the moment appear particularly eager to push through the necessary changes. For example, it has deferred for the purposes of building societies the EEC's First Directive on Credit Institutions in December 1977 which required member States to lay down minimum standards permitting financial institutions to

operate anywhere in the EEC. Under the Treaty of Rome directives are intended to state the object which is to be advanced while the means of getting there is left to individual countries.

The First Directive of December 1977, therefore, provided a framework within which supervision and controls can be worked out. The current banking Bill passing through the House of Commons is a direct result of this.

It is by no means certain that Community legislation is essential but a binding directive from Brussels would force the British Government to remove any obstacles to cross-border operations within 18 months. The major domestic restraint is vested in British law, which only allows societies to lend on freehold and leasehold property, a peculiarly British concept.

## Expected

A second and potentially much more important EEC directive is widely expected in the next three to four years. This is likely to concern more specifically housing finance, although there may again be opportunities for the Government to defer action.

Once the legal hurdles are cleared, there remain numerous practical complications which building societies will have to face before opening branches on the Continent.

For example, the thorny problems of exchange control and currency fluctuations are two factors which potentially could inhibit the transfer of assets from one country to another. These are the sort of questions currently being discussed by the BSA's two research groups and on which a consensus has yet to emerge.

It is probable, however, that

European operations would need to be self-financing, apart from the seed capital required to set them up. This would certainly assuage the fears of some observers that assets on a vast scale would leave the

country—an outcome incidentally which the BSA strongly refutes. While societies would probably like to take in separate deposits in each country, the recent moves through the European Monetary System towards greater currency stability throw up the longer term possibility of building societies with a genuinely European asset base.

Meanwhile, the variety of approaches to housing finance in Europe provides another unknown quantity. While the imposition of a uniform system and detailed harmonisation of

EEC rules is not envisaged, because advances generally amount to a smaller percentage of the purchase price of a house than in the UK, the balance must be found either from a savings bank (where rates vary) or a mortgage bank which issues five- to seven-year fixed loans.

In France loans can be obtained from the banks or through deferred credit.

The BSA's researchers will continue to study operations in other countries, although the areas thought to have most potential, like Belgium and West Germany, will come under the microscope first. The timetable from now on is impossible to predict but the next 12 months have seen a significant advance in preparation and further confirmation of the building society movement's European intentions.

Tim Dickson

## Interest rates dilemma

THE DAY after the Bank of England announced that its Minimum Lending Rate (MLR) had been raised by 2½ per cent to 12.5 per cent last November, the building societies announced the largest ever increase in their mortgage rate. At 11.75 per cent the rate is now the second highest in the history of the movement. It stood at a record high of 12.25 per cent between October 1976 and April 1977 but quickly fell back into single figures.

This time round the rate could stick at its current level for considerably longer. The level of interest rates generally will need to decline significantly and the monthly inflow rise sharply before societies will be able to contemplate any reduction in their rates. This will be bad news for the average home owner but for the silent army of investors it means that they are now receiving a real return on their building society shares for the first time since 1970.

News of the latest mortgage rate increase shocked many people but it only goes to underline just how sensitive building society rates now are to move-

ments in money market rates. In November 1976 MLR stood at 15 per cent while the mortgage rate stood at 12.25 per cent. A year later MLR had plummeted to 5 per cent and the mortgage rate had fallen to 9.5 per cent. Today MLR is back up to 12.5 per cent and the mortgage rate is standing at 11.75 per cent.

It is to the building societies' credit that they have been able to smooth out the very volatile swings in money market rates in between. This is evidenced by the fact that between 1974 and 1977 MLR changed 52 times yet building society rates moved only six times. However, during 1978 building society rates began to move more rapidly—changing three times compared with six moves in MLR. This trend seems likely to continue.

## Committed

At the start of 1978 the building societies, in common with most other financial institutions, thought that they were moving into a period of more stable interest rates. After all, infa-

tion was on the way down. North Sea oil was bolstering the balance of payments and the authorities seemed committed to a sensible monetary policy.

In fact, many of the forecasts have come about. The rate of price inflation has stayed in single figures despite pessimistic forecasts to the contrary and sterling has remained firm for most of the year. However, few people could have anticipated the substantial rise in real interest rates which took place

in June. By June the monthly inflow, which had been running at well over £500m per month at the end of 1977, had sunk to under £150m. Quickly the societies jacked up their net share rates to 6.7 per cent and everyone sat back and waited for interest rates to fall back in the summer months. The authorities had put on the bimonthly corset and this had previously led to falling interest rates.

But this failed to occur and as U.S. rates started to move higher it slowly began to dawn on City observers that UK rates were not heading down but were once again about to rise. The three-month local authority rate—a good proxy for the correct level for the grossed up share rate—moved up from 9.5 per cent at the end of August to 11 per cent by the end of October. By then it was clear that the level of bank and building society rates became less

CONTINUED ON NEXT PAGE

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## BUILDING SOCIETIES III

# Fears about house prices recede

**HOUSE PRICES** in 1978 took their biggest leap forward since the chaotic days of 1972. But to the relief of everyone involved — from Ministers and building societies to the public at large — there was no repeat of the alarming increases recorded six years earlier when the average cost of a home rose by nearly a half.

Some observers believed there was never any chance of a repeat of 1972, while others — notably members of the Government — were not prepared to take any chances. They foresaw rapidly escalating house prices as an electoral albatross decided to ensure they should not occur, and once again opened up the debate on the part building societies play in determining house prices and the advisability of tampering with market forces in a highly complex field.

The debate apart, however, the question of house prices did not in the event blow up in the faces of any of the parties involved. Average rises of something in the region of 25-30 per cent (take your pick from the Nationwide estimate of 38 per cent, the Abbey's 27.5 per cent, or the Anglia Hastings and Thanet's 31.5 per cent) were apparently acceptable after the modest 5 per cent average increase recorded in the previous 12 months.

At what level house price inflation becomes "unacceptable" has never been defined but on the basis that all sides now believe the market is settling down to more normal conditions and that the events of 1978 have passed without too much criticism, then the recent rise of around one-quarter in average prices clearly falls within acceptable limits.

It would indeed be interesting to see whether a continuation of last year's trends — leading to an overall repetition of the 1978 average rises — would also be acceptable because it was spread over a further 12 months.

## Explosion

The Government first began to take a closer than usual interest in the societies' planned lending programme and the private housing market at the beginning of 1978. According to the Department of the Environment, average prices for new homes had, since the end of the previous year, been accelerating at a rate three times higher than earlier in 1977. Its view was that if the process was allowed to continue, a house price explosion was unavoidable.

Even while Ministers were attempting to cool down the situation by suggesting that average price rises in 1978 would be contained to no more

than 10 per cent or 11 per cent, they were becoming convinced that something more was required — and quickly. In the event they were by March telling the societies that the record £720m a month lending target decided upon in January, and approved by the Government, would have to be cut back in an attempt to take the heat out of the market.

The societies' response was predictable. They claimed that the housing market was experiencing a readjustment as a result of some fundamental changes in the economic climate — something which was as predictable and harmless as people's desire to own their own homes.

There could also be some element of "talking down" in the societies' predictions, a pastime in which both they and the Government were partaking at the start of 1978 before panic arose in some circles. In addition, the societies' best chance of ridding themselves of unwelcome Government participation in determining lending levels is to convince Ministers as well as the public that the problem has gone away.

**Declining living standards** had been sharply reversed, encouraging people to improve their living conditions, and the cost of mortgage finance had fallen back to 8.5 per cent from its 1977 peak of 12.25 per cent — a reduction which meant that for a given monthly repayment the borrower could afford a 30 per cent larger loan.

These factors, the societies

claimed, combined with the fact that house prices were cheap in relation to earnings and prices, were leading to some necessary and inevitable adjustments. The availability of mortgage finance was nothing more than a factor to be considered in any assessment of the situation.

The Government's attitude was equally predictable. Whether or not it agreed with the assessment it could not be sure of the end-result and once the additional element of "panic buying" had been thrown in, it decided to take action in the only area it could. The societies may only have been one factor in the equation but a curb on mortgage finance was seen as a way, however unfair, of dampening down the situation.

In calling for a 10 per cent cut in loans, Ministers were gambling on the fact that escala-

ting prices were electorally more damaging than a shortage of home loans. They may well prove to have ended up somewhere in the middle, with substantial price rises being accompanied by lengthy waiting lists for mortgages. Those waiting lists may well in any case have existed because of the societies' difficulties in attracting funds, but it could well be that the Government will be held responsible for the long mortgage delays.

## Uneasy

The societies' uneasy compliance — based largely on haunting fears that prices just could rise wildly and that they would be held responsible — continued, although lending ceilings for the early part of 1979 have now been raised. They will, however, as was the case for much of last year, find it hard to lead up to figures which were originally supposed to be a harness rather than a target.

The Government's reaction to how the private housing sector actually turned out last year remains something of a closely guarded secret — perhaps on the basis that the subject is best not discussed unless absolutely necessary. While Ministers cannot be too pleased with price rises of 25 per cent (some of 50 per cent) they are clearly relieved that 1978 did not present them with a major crisis on the housing front. The fact that an early election did not materialise may also have dulled their sensitivity on the issue.

Whether it was right to intervene, and what would have happened if the Government had not, will never be known, though the question remains very alive and may yet again be put to the test.

Michael Cassell

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Financial Times Wednesday January 24 1979

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## BUILDING SOCIETIES IV



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3 Year London Peak Shares	9.25%	9.50% = 14.18%	
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# Liaison with local authorities

FEW PEOPLE could have predicted just how well building societies and local authorities would manage to co-operate in furthering the cause of home ownership since they were unceremoniously thrown together as reluctant partners back in 1975. In that year the general cut-back in public expenditure led to severe restrictions on local authority mortgage lending and the societies found themselves, without prior consultation and in something of a hurry, being asked to fill the gap.

Resentment on the part of the societies at being pushed into helping out and their uncertainty about operating in a largely unfamiliar area of the housing market, combined with the authorities' suspicion and relative ignorance of the building society movement, meant the proposal was bound to get off to a slow start.

In 1975 a total of £100m was agreed for so-called replacement lending and originally the 10 largest societies agreed to participate in proportion to their assets.

Since then the support lending scheme has grown from strength to strength, seems likely to remain a feature of building society business for some time to come and has helped to trigger off a period of much improved co-operation between the two sides on a wide range of matters affecting the housing sector.

A year ago the societies promised to make £300m available to support scheme applicants (£267m of which was for England). At the time it seemed unlikely that demand justified such a large amount, bearing in mind that only two thirds of the total 1977-78 allocation of £178m was eventually taken up.

But lending has increased significantly since then and the entire £300m allocation is expected to be taken up. The scheme is to be repeated in 1979-80, and with mortgage finance tight in relation to demand, interest in it can be

### Revised

As for the local authorities, a few longstanding opinions have also had to be revised. They have made mortgage finance available in accordance with quite different policies to guide them — subject to none of the constraints which bind building societies and with social housing need rather than sound security often the major priority.

Though their approach may not have been in any sense irresponsible or inadvisable, it represented in many respects a fundamental difference in philosophy and attitude.

The major problem in the

early days was simply a matter of two parties — not used to regular contact with each other — communicating, understanding and wanting to co-operate. Today the machinery of the support scheme is well understood generally and many efficient local arrangements are operating efficiently.

Mr. Norman Griggs, secretary general of the Building Societies Association, said towards the end of 1978: "The support scheme has proved to be the catalyst for increasing co-operation between societies and local authorities, at national and local level, across the whole of the housing market.

"At national level, local authorities are now more aware of the constraints under which societies work and building societies are aware of the onerous responsibilities of local authorities. At local level, the authorities are increasingly informing societies about their plans for the future of particular areas so that this can be allowed for in lending policies."

But Mr. Griggs also emphasised that societies could still point to examples where local authority policy was effectively inhibiting building society lending. His point touches on perhaps one of the most controversial areas involving building society operations — lending in inner urban areas.

Despite their protestations, it

is quite clear that many societies have refrained from lending in certain run-down inner city areas. But the infamous "red lining" approach by which whole areas are officially designated ineligible would appear to need little explanation or justification.

As mutual institutions, societies have responsibility to their borrowers to ensure they are helped to buy property which will prove to be a good investment of their funds as well as of the society's mortgage funds. Societies rightly remain cautious about lending in areas

where the future of existing housing is uncertain, not so much because they are afraid of incurring losses for themselves — most could absorb them — but because they are concerned that the loss for an individual could be devastating.

The societies' understandable inertia, however, did little to improve the chances of revitalisation or modernisation in badly run down areas and local authorities did little to remove many of their anxieties by indicating a clear commitment that an area of housing had a viable life ahead of it and by themselves beginning on improvement work.

### Strategies

Closer co-operation and understanding of development strategies involving general improvement areas and housing action areas should create a situation in which private housing finance becomes more readily available in areas which societies could not sensibly have touched when there was a threat of clearance or demolition, or even of no action at all.

When the support scheme was first introduced, the societies were anxious to make available whatever sums were necessary by way of direct loans to the local authorities, charged on the rates and allocated specifically for the purpose of mortgage lending. It would have been secure business for the societies and would have allowed the local authorities to lend according to their own concepts, but the Government's reluctance to increase further the public borrowing requirement overrode such preferences.

The Government's insistence may in the event prove to have been a good thing, helping to promote a joint effort at solving some of the country's most urgent housing programmes which may otherwise have not come about.

M.C.



## Satisfying the urge for home ownership

THE DEMAND for home ownership in the UK must represent one of the most significant social trends of recent years. This is perhaps not altogether surprising in a country where a man's home has apparently always been his castle. Ownership of the land on which he resides, or at least of the bricks and mortar which form his home, extends to the occupier an independence and sense of well-being which cannot be quantified in the same way as a property's rising capital value.

To be an owner-occupier is the ambition and, more significantly, the real intention of an overwhelming and still growing proportion of the population. Though most potential owners are well aware of the longer term financial advantages of ownership (which on a daily basis usually represents a vastly more expensive alternative to renting) there is also some indefinable benefit which adds to their resolve to purchase their own home.

### Bend

Endless surveys have shown as much, and political thinking not necessarily in total sympathy with such a trend has itself had to bend in the face of conclusive evidence.

One thing is certain. Despite the tremendous efforts of the building societies to help millions achieve their objective, (over 95 per cent of all home loans currently come from them) there is plenty of scope for further progress.

With around 54 per cent of the housing stock now owner occupied, Britain's performance in this respect is little more than average. In countries like Australia, New Zealand, Canada and the U.S., the percentage has for years been 60 and over, while in some eastern European nations the figure is above 70 per cent. Britain actually compares with nations like Belgium, Italy and Norway.

In some ways it is surprising that the penetration of home ownership has not progressed at a faster rate. In 1970 50 per cent of the country's housing stock was in owner occupied hands and, despite the granting of around 6m loans in the interim period, that proportion now stands only 4 per cent higher.

Not all loans, of course, go to people entering the private housing sector for the first time,

and recently societies have been making a little under half of all their loans to new purchasers. Last year, for example, around 47 per cent of the 800,000 loans made went to first-time buyers — a little below the record levels achieved in 1971 and 1972.

The societies, which point out that they have helped 3m families purchase their first homes in the past 10 years, say that the number of first time buyers can be expected to fall in this way, given the continuing growth of owner occupation and the resulting decline in the numbers of new arrivals in the private sector. The argument is a sound one, but whether this can yet be the case would appear to be a point for further investigation.

The achievement of raising the owner occupied sector by 3 to 4 per cent of the housing stock should not be underestimated but it is surely worth noting that the percentage rose by about 7 per cent in the decade 1960-70 and by over 14 per cent in the previous ten years.

There would appear to be a case then for suggesting that first-time buyers do still require some form of special encouragement to 'join the ranks of home

CONTINUED ON  
NEXT PAGE

The sign of big interest to every saver and investor.

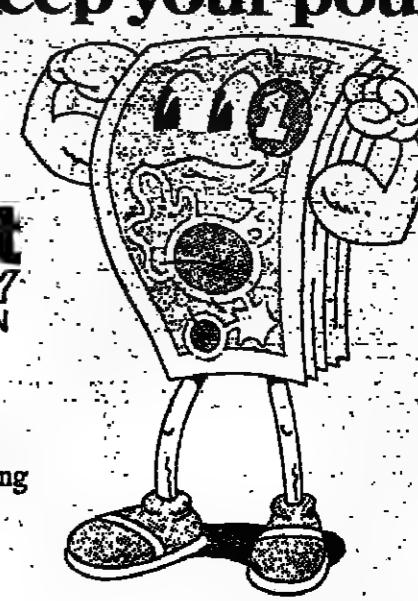
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## BUILDING SOCIETIES V

# Computers open up new horizons

**PLASTIC CARDS** will allow building society investors of the future to get cash at any time from dispensing machines outside society branches. Using computer terminals available to them inside, borrowers will be able to check their mortgage balances and calculate their interest bills.

The terminals will allow savers to use their building society as a bank and they will be able, for instance, to transfer money instantaneously out of their accounts to meet electricity, gas, rates and other routine bills. The computer technology is already available and could be in general use before the end of the 1980s.

Building societies caught on early to the cost-cutting advantages of computerisation. Abbey National, for example, installed its first computer as long ago as 1961 and began a scheme to put terminals in every branch. But it is only in the past few years that leaders of the movement have begun to appreciate that computers could have profound implications for the role of societies in the economy.

The next generation of computers is likely to blur even further the already disputed dividing line between banks and building societies. With the

development of the cashless society and widespread use of electronic funds transfer, people could find in the 1980s they can manage their financial affairs almost as effectively by having their salary paid into a building society account as a bank account.

Willy-nilly, the movement is bound to be drawn nearer the centre of the financial system—and that will mean among other things more intervention from the Bank of England and the Treasury. It may also bring a reappraisal of the rules requiring societies to confine their lending to house mortgages.

For the moment, the movement's computers are unobtrusive. Many branches now have a terminal, but it is usually in the back office. It is used to keep the society's records of savers' accounts up-to-date. Occasionally, when the saver wants to make a large withdrawal, the terminal will be called into action immediately to check his balance—but the checking is done discreetly while he waits and he is likely to be unaware of what is happening.

Among the Big Five societies, the Woolwich is probably the furthest ahead with the more futuristic computer applications. Over the next two years it is

phasing in a system which will link counter assistants in almost all its 260 branches with a central computer file containing the accounts of 1.25m Woolwich savers.

The £4m system, which is already working at the Woolwich's Bexleyheath branch, promises to make a dramatic cut in the time it takes to deal with investors at the counter. When an investor wants to withdraw money, for instance, the assistant has simply to key in his pass book number and the amount. The computer file is updated immediately and a printer in the terminal records the transaction in the passbook.

Peter Becke, Woolwich's assistant general manager in charge of developing the new system, reckons that it cuts the average turn-round time for a customer doing a routine transaction from 90 seconds to 60. Assuming that counter business does not increase as a result of the greater convenience to customers, that should mean the virtual elimination of queues even at busy times.

## Applications

A similar system is already in use in many of the Britannia's branches. And Bristol and West's system incorporates the extra sophistication of a magnetised strip on each passbook. This contains a code which is read by the terminal and so saves the assistant having to key in the investor's account number.

The Woolwich has considered incorporating magnetised strips in its system—but believes that an extra cost of about £40,000 they would not be cost-effective.

Among the computer applications that the Woolwich reckons may come in the mid-1980s are in-branch terminals into which investors could key instructions to pay routine bills from their accounts. The system would work on similar lines to

the National Girobank, with all the main utilities having accounts with building societies specifically to receive such transfers.

The Halifax has stolen a

lead on the rest of the move-

ment by being first with automatic cash dispensers operated by plastic cards. A pilot system went into action at the society's head office this month but it is confined to Halifax staff.

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LOMBARD

# The French seem immune for now

BY ROBERT MAUTHNER

THE LORRY drivers' strike and the resulting economic chaos in Britain has led to some disarming soul-searching in France. Many French commentators are professing surprise that their country has been spared the massive industrial disruption suffered by their neighbours on the other side of the channel, and the question is being increasingly asked whether France can really expect to remain immune from the British disease for very much longer.

The basic economic and industrial problems facing the two countries are, after all, very similar. Both have been obliged to restructure their traditional industries, such as textiles, shipbuilding and steel. France, no less than Britain, has to make in all-out effort to step up its exports in order to balance its payments. The advantage it once had over Britain thanks to its self-sufficiency in agriculture has been offset by its almost complete reliance on imported energy, while the U.K. will soon need almost its entire needs from its own resources. Both France and Britain have been forced to wage a constant war on inflation to remain competitive on world markets, requiring a painful clamp-down on wages and salaries.

## No signs

With unemployment in France now at the post-war record figure of 1.3m and still rising, with tens of thousands of steel and shipbuilding workers being laid off and with no indications that wage controls will be lifted in the near future, it would seem at first sight that French workers have almost as much to complain about as their British counterparts.

It can hardly be said that the French have ever proved reluctant to take to the streets, go on strike or occupy their factories when they considered that conditions had become too tough for them. They did so in no uncertain manner only 11 years ago, when the students and workers uprising paralysed the country for many weeks and brought the economy to its knees. Yet today, there are no signs of a national movement of anything like the same proportions. Demonstrations and strikes have tended to be limited to the regions which have been particularly hard hit, such as Lorraine, and in spite of much verbal posturing, there seems to be an uncanny and un-Gallic acceptance on the part of the unions that nothing much can

be done about the situation.

The authorities, as is their wont, have a pat explanation for this comparatively happy state of affairs. The famous Barre austerity plan, named after the Prime Minister, has been conceived so cleverly that most people are cushioned against its worst effects, they argue. Thus, while purchasing power has remained theoretically frozen since the early autumn of 1976, wages and salaries remain inflation-indexed and there has been no sharp fall in living standards as there was in the UK. Indeed, workers at the bottom of the wages scale have been allowed small real rises and, overall, disposable incomes have continued to increase by a little more than 2 per cent annually. These measures, coupled with extremely generous unemployment benefits for workers who have lost their jobs as the result of the slack economic situation and the traditional panoply of job-creating and retraining schemes, have stopped the social pot from boiling over.

## New ball game

That, however, is clearly only part of the story, equally important, without any doubt, has been the exceptional room for manoeuvre given to the Government by its unexpectedly large victory in the general election last March. Demoralised by the defeat of the left-wing parties whom they supported, the main trade unions are still licking their wounds. Their search for an effective joint strategy has been further hampered by the fact that less than 25 per cent of the French labour force is unionised, making it difficult to impose the discipline required for massive industrial action, particularly when jobs are scarce.

But time will not always be on M. Barre's side, if, by the Prime Minister's self-imposed deadline of the summer of this year, inflation has not been brought under control and unemployment is still rising, the Government is likely to come under increasing political pressure. Demonstrations and strikes have tended to be limited to the regions which have been particularly hard hit, such as Lorraine, and in spite of much verbal posturing, there seems to be an uncanny and un-Gallic acceptance on the part of the unions that nothing much can

THE NEXT 10 days or so are an important time in the gardening year. They decide how things are going to look in the summer, what colours will turn up where, and how far I am going to desert old favourites.

In short, I shall be choosing next year's seeds. A balance has to be struck. If you receive them and sow them promptly in February, most of the less hardy plants will be too far forward by the time the frosts disappear anywhere north of Italy. It would be nice to be pushing on with the job, if possible, for the further the plants advance, the sooner they will flower and bush out prettily in the garden. The June and early July bedding gap sounds a curious thing for a gardener to bother about, but every year it is something which annoys me. Out come the home-grown tobacco plants. But not for three or four weeks do the new entrants make a show. There are ways round it, but they are not as easy as you might think.

One, you might imagine, would be to start your flower-seeds off very promptly. Almost every beginner fails for this one. He notes the basic distinction of which I shall remind you. Some annual flowers are hardy, so their seeds can be sown directly out of doors in a well-raked seed-bed from late March onwards. Others are treated as

half-hardy annuals: petunias, snapdragons, tobacco plants and generally all the best things except love-in-a-mist. These must be raised in a warm place, then planted out when the frosts stop in early June.

Noting this distinction, you and I should want our summer flowers as quickly as possible. We should probably sow at once, in February. The seed-packet would not deter us. It talks with the latitude of the self-respecting consultant, as if any time "between" February and May will yield a satisfactory sowing. So off we go, putting seed-boxes of petunias in the airing - cupboard in mid-February.

Seed-raising is quite straightforward. I would urge any new gardener to either buy a ready-made or window-box owner to learn how to do it. Of course, you can buy your own bedding-plants from a nursery in May or June. But there are two snags. I consider them too expensive. They tend to be at their furthest point by late May, and unless you buy the first batch and plant at once, risking a frost, you will be paying for plants which have been checked. This is the core of the problem. Half-hardy annuals like to race ahead smoothly. They grow fast and should never be stopped in their tracks. You can pinch out their longest shoots. You can use them directly in early June to give body to a new bedding-

method of persuading them to branch out. You can also take off their first flowers for the same purpose. But you must never stop them from growing in any direction at all.

You now see the difficulty. You want to arrive in early June with plants of flowering size, but you cannot leave them to make their way in the same

scheme. The others, sown later, will move on smoothly for the continuity until August when you take a summer holiday and miss them.

That, I think, is the best grand strategy. A few well-branched snapdragons and petunias will go a surprisingly long way. What, though, of the tactics, the sowing, pricking-out

## GARDENS TODAY

BY ROBIN LANE FOX

boxes from mid-March until they are planted out. There are two answers. You can sow the seed later, a sound plan which I usually adopt. Late March is quite early enough. Your tobacco plants then purr along until early June. They move smoothly into flower in mid-July and never look back. But meanwhile, you have the gap after the tulips. The best way round it is to follow a practice which I learnt in a big bedding-garden: move 50 or so bedding plants from boxes in April into individual 4-inch pots. They will then grow on very densely especially if you pinch out their longest shoots. You can use them directly in early June to give body to a new bedding-

and so forth? Old hands know it all already. This week I am after the fresh green fingers, readers who are not quite sure how to begin.

Sowing is simple. Only two tips, I think. Try not to sow too thickly. If the seed is very fine and enclosed in an inner plastic bag, contain your disappointment that there is far less than the robbers persuaded you by their big coloured packet outside. Reach, instead, for some sand. Mix the sand up with the seeds in the inner packet, shake it well, then sow evenly from the palm of your hand. The greater volume gives you a greater spread.

Second tip: never let the seeds dry out. Water a light

compost (any seedling brand will) the night before you sow. Let it dry to the point where it is damp, but does not ooze water if you squeeze it. Sow and cover all but the big pea-shaped seeds very thinly. Then, buy a thin rose for a little watering can. When watering give two or three preliminary shanks to the can, so that the water flows smoothly before you near the box. I have seen careful sowings washed away because their owners held the can over them before the water was running like rain.

Within three weeks in a warm place—kitchen, bathroom, sitting cupboard or whatever—the seeds will be up. Let them show their first open pair of leaves. As soon as possible thereafter, make up a deeper box of slightly less light compost or plain old garden soil, if you live on a light loam. If you are buying all the compost anyway because you can never get the same John Innes seedling compost as for sowing or any of the peat-based composts which garden centres will press on you.

The seedlings must be transferred from one box to the other, in which they should be spaced about 1½ ins apart in straight rows. You need two tools. A wooden label with a sharp end allows you to level up the seedlings in their box and balance them on its flat

surface. Then, are the tactics for 30p you can raise 100

seedlings, though they are not the easiest seedlings to handle. The better you are, the sooner you prick out your crop. Next week I shall show you some good seeds and, over delaying till next time, I trust my advice that generally you should not rush into sowing.

## Court says Imperial cigarette promotion scheme was lottery

BY PAUL TAYLOR

IMPERIAL GROUP and its Imperial Tobacco subsidiary yesterday lost the first round in a court battle over the "Spot Cash" cigarette promotion scheme when a High Court judge ruled that the scheme was a lottery and therefore unlawful.

The companies are to appeal against the ruling.

Mr. Justice Donaldson, sitting in the Commercial Court in London, rejected a request from the two companies to declare that the "extremely successful" scheme did not contravene the Lotteries and Amusements Act 1976.

The companies had sought the declaration pending a criminal case brought by the Director of Public Prosecutions against Imperial Tobacco and four company directors and employees which is due to be heard in Nottingham.

The scheme, used to promote John Player brands, involved the distribution of 260m packets

of cigarettes containing cards resembling fruit machine windows. It offered prizes totalling £800,000 and resulted in a 30 per cent increase in sales.

Mr. Justice Donaldson heard

arguments presented by Mr. Stanley Brodie, counsel for the applicants, that the scheme was neither a competition nor a lottery and was therefore within the law.

The judge said that the company had devised a scheme which had the appearance of being a free lottery. But he ruled that because the scheme

accounted for about 0.3% of the price of a packet of cigarettes, purchasers were in reality buying the cigarettes and the card. That made the promotion a lottery, and therefore unlawful.

What mattered was whether customers were making any contribution to the scheme. While Mr. Brodie has argued that the cost of the cigarettes and the profit margin were unaffected by the scheme, Mr. Justice Donaldson said this was an unrealistic way of looking at the matter.

He said: "The scheme produced a 30 per cent increase in sales. Why? The answer is clear: purchasers switched brands because they got more for their money. Previously they got cigarettes, now they got cigarettes and a ticket which might be valuable."

He ordered that the costs of

the case should be paid by the companies but gave them leave to appeal.

Emmerdale Farm, 8.00 Grampian Today, 11.25 Reflections, 11.30 Westsides Medical, 12.25 am Grampian Late Night Headlines.

GRANADA

1.30 pm This Your Right, 2.00 Live from 2, 2.15 pm The Big Question, 2.30 Crossroads, 3.00 Grandas, Repubs, 3.30 Oh That's Selwyn Foskett, 11.00 The Practice.

ALBURY

8.30 am Grampian Today, 11.30 Reflections, 11.30 Westsides, 12.25 am Grampian Late Night Headlines.

HIT

1.20 pm Report West Headlines, 1.25 Report Wales Headlines, 1.25 Crossroads, 6.00 Report West, 6.15 Crossroads, 6.30 Night of the Generals (part 1) starring Peter O'Toole, Omar Sharif and Donald Pleasance, 10.40 "Night of the Generals" (part 2) starring Peter O'Toole, 11.30 Susanna, 12.00 DOLLY, 1.30 DOLLY, 2.00 DOLLY, 2.30 DOLLY, 3.00 DOLLY, 3.30 DOLLY, 4.00 DOLLY, 4.30 DOLLY, 5.00 DOLLY, 5.30 DOLLY, 6.00 DOLLY, 6.30 DOLLY, 7.00 DOLLY, 7.30 DOLLY, 8.00 DOLLY, 8.30 DOLLY, 9.00 DOLLY, 9.30 DOLLY, 10.00 DOLLY, 10.30 DOLLY, 11.00 DOLLY, 11.30 DOLLY, 12.00 DOLLY, 12.30 DOLLY, 1.00 DOLLY, 1.30 DOLLY, 1.60 DOLLY, 2.00 DOLLY, 2.30 DOLLY, 2.60 DOLLY, 3.00 DOLLY, 3.30 DOLLY, 3.60 DOLLY, 4.00 DOLLY, 4.30 DOLLY, 4.60 DOLLY, 5.00 DOLLY, 5.30 DOLLY, 5.60 DOLLY, 6.00 DOLLY, 6.30 DOLLY, 6.60 DOLLY, 7.00 DOLLY, 7.30 DOLLY, 7.60 DOLLY, 8.00 DOLLY, 8.30 DOLLY, 8.60 DOLLY, 9.00 DOLLY, 9.30 DOLLY, 10.00 DOLLY, 10.30 DOLLY, 11.00 DOLLY, 11.30 DOLLY, 12.00 DOLLY, 12.30 DOLLY, 1.00 DOLLY, 1.30 DOLLY, 1.60 DOLLY, 2.00 DOLLY, 2.30 DOLLY, 2.60 DOLLY, 3.00 DOLLY, 3.30 DOLLY, 3.60 DOLLY, 4.00 DOLLY, 4.30 DOLLY, 4.60 DOLLY, 5.00 DOLLY, 5.30 DOLLY, 5.60 DOLLY, 6.00 DOLLY, 6.30 DOLLY, 6.60 DOLLY, 7.00 DOLLY, 7.30 DOLLY, 7.60 DOLLY, 8.00 DOLLY, 8.30 DOLLY, 8.60 DOLLY, 9.00 DOLLY, 9.30 DOLLY, 10.00 DOLLY, 10.30 DOLLY, 11.00 DOLLY, 11.30 DOLLY, 12.00 DOLLY, 12.30 DOLLY, 1.00 DOLLY, 1.30 DOLLY, 1.60 DOLLY, 2.00 DOLLY, 2.30 DOLLY, 2.60 DOLLY, 3.00 DOLLY, 3.30 DOLLY, 3.60 DOLLY, 4.00 DOLLY, 4.30 DOLLY, 4.60 DOLLY, 5.00 DOLLY, 5.30 DOLLY, 5.60 DOLLY, 6.00 DOLLY, 6.30 DOLLY, 6.60 DOLLY, 7.00 DOLLY, 7.30 DOLLY, 7.60 DOLLY, 8.00 DOLLY, 8.30 DOLLY, 8.60 DOLLY, 9.00 DOLLY, 9.30 DOLLY, 10.00 DOLLY, 10.30 DOLLY, 11.00 DOLLY, 11.30 DOLLY, 12.00 DOLLY, 12.30 DOLLY, 1.00 DOLLY, 1.30 DOLLY, 1.60 DOLLY, 2.00 DOLLY, 2.30 DOLLY, 2.60 DOLLY, 3.00 DOLLY, 3.30 DOLLY, 3.60 DOLLY, 4.00 DOLLY, 4.30 DOLLY, 4.60 DOLLY, 5.00 DOLLY, 5.30 DOLLY, 5.60 DOLLY, 6.00 DOLLY, 6.30 DOLLY, 6.60 DOLLY, 7.00 DOLLY, 7.30 DOLLY, 7.60 DOLLY, 8.00 DOLLY, 8.30 DOLLY, 8.60 DOLLY, 9.00 DOLLY, 9.30 DOLLY, 10.00 DOLLY, 10.30 DOLLY, 11.00 DOLLY, 11.30 DOLLY, 12.00 DOLLY, 12.30 DOLLY, 1.00 DOLLY, 1.30 DOLLY, 1.60 DOLLY, 2.00 DOLLY, 2.30 DOLLY, 2.60 DOLLY, 3.00 DOLLY, 3.30 DOLLY, 3.60 DOLLY, 4.00 DOLLY, 4.30 DOLLY, 4.60 DOLLY, 5.00 DOLLY, 5.30 DOLLY, 5.60 DOLLY, 6.00 DOLLY, 6.30 DOLLY, 6.60 DOLLY, 7.00 DOLLY, 7.30 DOLLY, 7.60 DOLLY, 8.00 DOLLY, 8.30 DOLLY, 8.60 DOLLY, 9.00 DOLLY, 9.30 DOLLY, 10.00 DOLLY, 10.30 DOLLY, 11.00 DOLLY, 11.30 DOLLY, 12.00 DOLLY, 12.30 DOLLY, 1.00 DOLLY, 1.30 DOLLY, 1.60 DOLLY, 2.00 DOLLY, 2.30 DOLLY, 2.60 DOLLY, 3.00 DOLLY, 3.30 DOLLY, 3.60 DOLLY, 4.00 DOLLY, 4.30 DOLLY, 4.60 DOLLY, 5.00 DOLLY, 5.30 DOLLY, 5.60 DOLLY, 6.00 DOLLY, 6.30 DOLLY, 6.60 DOLLY, 7.00 DOLLY, 7.30 DOLLY, 7.60 DOLLY, 8.00 DOLLY, 8.30 DOLLY, 8.60 DOLLY, 9.00 DOLLY, 9.30 DOLLY, 10.00 DOLLY, 10.30 DOLLY, 11.00 DOLLY, 11.30 DOLLY, 12.00 DOLLY, 12.30 DOLLY, 1.00 DOLLY, 1.30 DOLLY, 1.60 DOLLY, 2.00 DOLLY, 2.30 DOLLY, 2.60 DOLLY, 3.00 DOLLY, 3.30 DOLLY, 3.60 DOLLY, 4.00 DOLLY, 4.30 DOLLY, 4.60 DOLLY, 5.00 DOLLY, 5.30 DOLLY, 5.60 DOLLY, 6.00 DOLLY, 6.30 DOLLY, 6.60 DOLLY, 7.00 DOLLY, 7.30 DOLLY, 7.60 DOLLY, 8.00 DOLLY, 8.30 DOLLY, 8.60 DOLLY, 9.00 DOLLY, 9.30 DOLLY, 10.00 DOLLY, 10.30 DOLLY, 11.00 DOLLY, 11.30 DOLLY, 12.00 DOLLY, 12.30 DOLLY, 1.00 DOLLY, 1.30 DOLLY, 1.60 DOLLY, 2.00 DOLLY, 2.30 DOLLY, 2.60 DOLLY, 3.00 DOLLY, 3.30 DOLLY, 3.60 DOLLY, 4.00 DOLLY, 4.30 DOLLY, 4.60 DOLLY, 5.00 DOLLY, 5.30 DOLLY, 5.60 DOLLY, 6.00 DOLLY, 6.30 DOLLY, 6.60 DOLLY, 7.00 DOLLY, 7.30 DOLLY, 7.60 DOLLY, 8.00 DOLLY, 8.30 DOLLY, 8.60 DOLLY, 9.00 DOLLY, 9.30 DOLLY, 10.00 DOLLY, 10.30 DOLLY, 11.00 DOLLY, 11.30 DOLLY, 12.00 DOLLY, 12.30 DOLLY, 1.00 DOLLY, 1.30 DOLLY, 1.60 DOLLY, 2.00 DOLLY, 2.30 DOLLY, 2.60 DOLLY, 3.00 DOLLY, 3.30 DOLLY, 3.60 DOLLY, 4.00 DOLLY, 4.30 DOLLY, 4.60 DOLLY, 5.00 DOLLY, 5.30 DOLLY, 5.60 DOLLY, 6.00 DOLLY, 6.30 DOLLY, 6.60 DOLLY, 7.00 DOLLY, 7.30 DOLLY, 7.60 DOLLY, 8.00 DOLLY, 8.30 DOLLY, 8.60 DOLLY, 9.00 DOLLY, 9.30 DOLLY, 10.00 DOLLY, 10.30 DOLLY, 11.00 DOLLY, 11.30 DOLLY, 12.00 DOLLY, 12.30 DOLLY, 1.00 DOLLY, 1.30 DOLLY, 1.60 DOLLY, 2.00 DOLLY, 2.30 DOLLY, 2.

## THE ARTS

Elizabeth Hall

Television

## BBC Singers

Forsaking their usual "Smith square" platform, the BBC Singers under John Poole, gave on Monday a South Bank recital of 20th century choral music that was outstanding alike for the liveliness of the programme and for the degree of polish, exactitude, and consistency of style in all the performances. Janacek framed the concert. The fragment of a Mass in E flat for choir and organ (1907-1908), completed by a pupil, Peterka, began the evening, and the motet (1901, rev. 1908) for choir, organ, and harp, *Orcanum (Pater noster)* ended it.

It was not only because both pieces carry pre-echoes of the great Festival Mass of its banners flying, forests and mountains resounding, majesty and its sudden devotional awe, that both made a strong, inspiring effect. Individuality of utterance — in blend of vocal and instrumental timbres, in the shape of the melodies, in the sharp-cut (yet once heard, entirely natural and inevitable sounding) layout of the phrases — was notable early in Janacek's large corpus of choral music; the BBC Singers could put us all in their debt by planning a future season around that large, and for the most part little-known, collection of marvels. In the *Pater noster*, David Watkins' harp and the organ playing of Stephen Cleobury were eloquently combined; the important tenor solo, though sweetly sung by Gareth Roberts, was slightly wanting in forwardness of tone and boldness of manner.

Peter Maxwell Davies composed his *Westerlings* for unaccompanied chorus in 1976-77, immediately prior to embarking on the chamber-orchestral work, *A mirror of whiteness*. Light Both may be described as seascapes, permeated by the inspiration of an "extraordinary sound ... a kind of wash" which comes across the bay" that lies below the composer's Orkney home.

*Westerlings* is one of the most poetic, evocative, and beautiful new choral works to have come my way for a long time. The Debussy, *Streets*, transported to a northern climate, blown by more robust breezes, and tossed by cooler currents, may have provided a distant starting point for the textures of the interludes, into which and out of which the poem settings merge and emerge; but the store of choral devices goes far beyond Debussy, or any other of the well-stocked choral literature of the sea. A peculiarly personal blend of sensuousness and leanness marks both the harmonic schemes and the cut and cross-cut of the vocal lines; the sound of a single soprano rising gently to a high C sharp or D flat as an "overline" of the marine sway is only one of many remarkable touches of colour.

I cannot be as enthusiastic about Robin Holloway's *The Conclusion of Music*, a setting of Strode and Herrick receiving its first complete performance; for, though delicately finished and shaped, it struck me as one of this talented but uneven composer's most precious, most mannered, compositions. Nor about John Lambert's *Awfulness with grace* — made "like an after triptych," but of dull material in predictable patterns.

MAX LOPPERT

## Notice of Redemption

To the Holders of

## KINGDOM OF DENMARK

9% Twelve Year External Loan Bonds of 1970 due March 1, 1982

NOTICE IS HEREBY GIVEN that, pursuant to the provisions of the Bonds of the above-described issue, Morgan Guaranty Trust Company of New York, as Fiscal Agent, has selected through operation of the Sinking Fund for redemption on March 1, 1979 at the principal amount thereof together with accrued interest to the date fixed for redemption \$2,000,000 principal amount of said Bonds bearing the following serial numbers:

OUTSTANDING DEBENTURES OF \$1,000 EACH OF PREFIX "M" BEARING NUMBERS ENDING IN ANY OF THE FOLLOWING TWO DIGITS:

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Wednesday January 24 1979

## Faster growth for Germany

THE MOST striking aspect of this year's economic forecast by the German Government is its pre-emptive, even defensive assertion that no additional measures of restraint are called for. One can see why the Government takes this view. The tax-cutting package introduced last year, as Germany's contribution to the programme of coordinated growth agreed at the Bonn economic summit in July, comes into force this month, and will play its part in raising the growth rate from 3.4 per cent in 1978 to 4 per cent in 1979. Taken with a number of other factors, this faster growth is expected to spill over into a correspondingly higher rate of inflation, from 2.1 per cent in 1978 to about 3 per cent this year. Given the long-standing German abhorrence for the levels of inflation which have become commonplace in Britain, France and the U.S., it is not surprising that Chancellor Schmidt should feel that a 4 per cent growth rate is the maximum which is compatible with a tolerable rate of inflation.

### Confident

Indeed, the economic forecast is rather more bullish than the bare figure of a 4 per cent growth rate would suggest. Wages (including wage drift) may go up by 8 per cent this year, compared with 5.5 per cent last year, but incomes from investment and property should rise by 8.1 per cent, much the same as last year. In line with last month's survey by the IFO Institute, German manufacturing industry is now more confident about the business climate, and about the prospects for orders and output than at any time in the past four years, which goes a long way to explain the Government's prediction that overall investment in the economy will continue to grow at a rate of 10.12 per cent this year. Since public sector investment will only grow at 5.8 per cent, as the effects of the 1977 medium-term investment plan begin to tail off, investment in the private sector will be growing rather faster than last year. On the face of it, the forecast of a 8 per cent increase in wages might seem optimistic, since the trade unions might believe that they had both a case and an opportunity for demanding

## A clear case for reform

ONE FACTOR that is often said to impede efforts to improve British industry's comparative performance is the complexity of its trade union structure. It is by no means the only factor but there could be no better illustration of the truth of the observation that the situation in British Rail. The dispute which has closed down rail services on three days in the last eight has little to do with the breakdown of the Government's pay policies, and a lot to do with the rivalry between two of the three railway unions—the Associated Society of Locomotive Engineers and Firemen, which represents the bulk of footplatemen, and the National Union of Railways, which represents the remaining non-clerical grades.

The rivalry is long standing, but the roots of the present dispute go back to the railway pay re-structuring agreement of 1974. In an attempt to end the welter of special payments to different grades of railway staff which had led to one leap-frogging claim after another, all separate bonus payments were consolidated and it was agreed that there would be no more unilateral pay deals with individual groups of rail workers.

### Counter-claim

The guards of pay trains were however left with a grievance. Besides their normal duties, they were expected to collect fares and issue tickets on routes where station booking offices had been closed, a task for which they received no extra pay. Their claim was eventually conceded by British Rail last February, for two reasons.

First the number of pay trains was growing and an increasing number of guards were refusing to collect fares, resulting in a significant loss of revenue. Secondly, there was thought to be a real possibility of industrial action by the NUR and, although there was an obvious danger of a reaction from ASLEF, the 1974 agreement did contain a rather kindly clause allowing special pay issues to be discussed separately from the national arrangements.

a bigger slice of the expected improvement in company profits. Certainly, the Government expects unemployment to decline from 4.3 to 4 per cent, and new investment to play a part in raising the increase in productivity to 3.4 or 4 per cent. But the recent settlement with the metal-workers in Hesse—a wage increase of only 4.3 per cent—is some indication that the Government's forecast for the year may not be too much out of line with the current mood in industry.

### Surplus

What the economic report does not do, however, is give any indication that the management of the German economy will make a measurable contribution to easing of instability on the international currency markets. Exports are expected to rise by 5 per cent, as they did last year, accompanied by a somewhat faster growth in imports, attributable in part no doubt to the 14 per cent increase in oil prices scheduled for this year by OPEC; but the government makes no forecast for this year's trade balance, let alone any claim that the surplus will be sharply reduced. Given that the trade surplus for the first 11 months of last year grew to DM 37bn, and that the rate of productivity increase forecast this year is greater than the expected rate of inflation, the only restraint on the structural trade surplus will be a slower rate of growth in overseas markets, notably the U.S.

In these circumstances, it is not entirely surprising that the traditional capital outflow, which used to be advanced by the government as a mitigation of the trade surplus, should last year have turned into a net capital inflow. To offset part of the impact of this inflow, the Bundesbank has taken steps on several occasions in recent months to tighten up on liquidity. But it is increasingly difficult to see how Germany can avoid the prospect of a further hardening of the mark against other currencies; how it can prevent the mark becoming de facto an increasingly important international reserve currency, or how it can reconcile its domestic economic strategy with the suitable working of a European Monetary System.

### Allocation scheme

The trigger of IEA's emergency allocation scheme will be pulled only if supplies to member countries fall by at least 7 per cent. That point is still to be reached, not least perhaps because the figures provided to the IEA by both member countries and by the international oil companies are on an historical basis. In addition, most oil companies were banking on a resumption of at least a small amount of crude oil exports from Iran in the first three months of the year. That prospect now appears bleak. The turmoil in Iran shows no sign of abating. Political events are moving to a possible climax with the imminent return to Tehran of the religious leader Ayatollah Khomeini after many years of exile. But his return seems to offer little hope of an early recovery in oil production. Since the end of December, despite an apparent agreement between the striking oil field workers and leaders of the opposition National Front, production has still failed to rise sufficiently to meet even domestic demand.

Output by Iranian Oil Participants, the consortium of western oil companies responsible for producing nearly all of Iran's crude oil, had only climbed back to 380,000 barrels a day at the beginning of the week, still more than 100,000 barrels a day below the level of Iran's own needs and only about 10 per cent of its normal production.

Even if there was the will to return to higher production, it is thought that it could take

A German dilemma By JONATHAN CARR in Bonn

# Too good for comfort

**THE DISAGREEMENT** between the West German Government and the Bundesbank over economic growth prospects this year may look like a purely domestic squabble. But it raises important questions about the future stability of the dollar, of the European Monetary System (EMS) and about West Germany's new role in the world as a net importer of capital as well as a trade surplus country.

In domestic terms, the Bundesbank's arguments about money supply, economic growth and inflation are wholly consistent. The central bank had set a target of 8 per cent for the increase in money supply last year. In fact the margin was exceeded by 3.5 percentage points for the year as a whole. Indeed in the last three months central bank money stock was actually rising at an annual rate of almost 14 per cent.

As long as economic growth was weak the Bundesbank was ready to tolerate such overshooting, and the more so since the rise of the Deutsche Mark forced down import prices and helped to slow down domestic inflation. But it clearly thinks the situation has now changed.

After a very slow start last year, real growth in GNP, to general surprise, finally totalled 3.4 per cent—hardly less than the Government's initial projection. Latest order and production figures indicate that the upswing could continue and 4 per cent real growth in 1978 seems feasible to many experts, an estimate adopted also by the Government. But that would appear to imply an increase in the inflation rate from less than 3 per cent last year to more than 3 per cent in this.

Not necessarily, says the Bundesbank. It has set a new money supply target in a range between 6 per cent and 9 per cent between the last quarter of 1978 and the last quarter of

this year. It argues that this will allow it to act flexibly, giving a touch of the brake if there seems to be over-heating, or of the accelerator if the economy appears to flag.

The Bundesbank after all has a legal duty to defend the currency. As its vice-president, Herr Karl Otto Poehl, put it last week: "The economic and political strength of the Federal Republic has rested in large measure on the stability of our currency—and will continue to do so."

## Quotas cut

The first touch of the brake came last month when the Bundesbank cut rediscount quotas. It followed this up last Thursday with the announcement of a rise from 3% to 4 per cent of the Lombard rate at which it will grant advances (against securities), and of an increase in minimum reserve ratios which should take about DM 30m out of the banking system from next month.

Naturally the Government does not always agree with the Bundesbank—but it is rare for differences to emerge clearly in public. Hence the surprise caused by the proceedings after the central bank council meeting at which the new measures were decided. No sooner had Dr. Ottmar Emminger, the Bundesbank president, announced the decision than Herr Manfred Lahnstein, State Secretary at the Bonn Finance Ministry, who had attended the council meeting, made it clear that the Government thought the steps were unnecessary at present. (In case it was thought that the absence of the Finance Minister, Herr Hans Mattheoffer, downgraded the criticism from Bonn, it should be noted that Herr Lahnstein, has for months been fulfilling a role at home and abroad which many would

feel belonged more naturally to his boss.)

Herr Lahnstein made it plain that Bonn felt there were greater risks to the economic upswing than the Bundesbank believed. He expressed fears that the step might tend to push up interest rates, among other things making the financing of the public sector deficit more difficult. These two points—on the economic recovery and on interest rates—are the link between the domestic impact of the Bundesbank's policy and its international implications.

The West German Government spent much time and effort in the first part of last year debating suggestions, from the U.S. in particular, that it should act as a "locomotive" of the world economy.

The idea was that the Germans should do more to stimulate domestic growth thus increasing imports and cutting their trade surplus.

The German answer was that while their visible trade surplus was large, they had a traditional deficit on services and transfer payments so that the current account surplus was fairly small and moreover, declining.

Finally, and apparently convincingly, both the Bonn Government and the Bundesbank drew attention to the deficit on West Germany's basic balance—that is the current account plus the sum of long term capital transactions. It was argued that West Germany had exported much more long term capital than was needed to compensate for the current account surplus—and that therefore it was not creating serious external payments difficulties for its trading partners.

These arguments together helped ensure that at the western economic summit conference in Bonn in July the "locomotive" was dropped. It seemed for good. But West German payments figures for 1978 (so far only the first 11 months are available) indicate

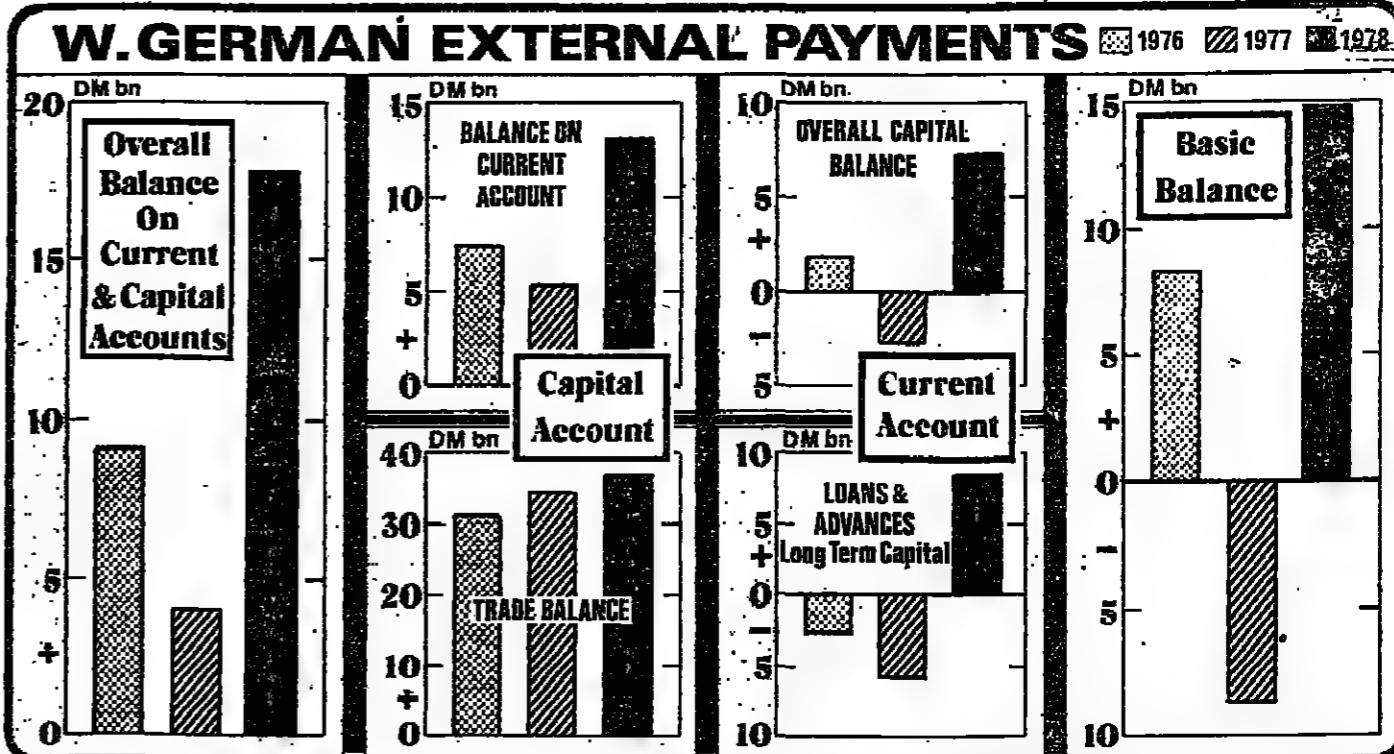
that the theory may return with a new twist in the months leading up to the next economic summit in Tokyo.

Between January and November last year West Germany not only achieved a bigger trade surplus than in the same period of 1977—DM 36.98bn against DM 34.2bn before. Its current account surplus increased sharply from DM 5.5bn to DM 13.1bn—thanks partly to a smaller deficit on services and transfers. And, perhaps most significant, the basic balance shows a surplus of nearly DM 15bn after a deficit of DM 8.7bn in the same period of 1977.

It could well be argued that the rise in the value of the Deutsche Mark in 1978 underlined the real volume impact of foreign imports on the German market. But it is also plain that the strength of the Deutsche Mark is attracting to Germany on a big scale, not simply short-term speculative funds but long-term capital.

helpful to the dollar. The U.S. is held to need big imports of capital to help finance its current account deficit, which, it is hoped and predicted, will be much smaller this year than last. To achieve that, it is believed that the U.S. must curb inflation and produce a big enough interest rate differential, particularly on long-term deposits, to attract funds from abroad.

However, not only is West Germany already highly attractive for long term funds but its central bank has just initiated action which may signal an increase in interest rates—thus tending to reduce the differential with the U.S. If the Bundesbank succeeds in holding down inflation to little more than the current level, what is to stop further upward pressure on the Deutsche Mark and further demand for Deutsche Mark assets? It may be argued that the U.S. should do still more to help itself and its currency. But there is plainly a limit to the action the U.S. can take, for example, to push up interest rates at home without turning a



search for greater stability into unprofitable activity?

The Germans are also opposed to the emergence of the Deutsche Mark as a reserve currency for historical and political reasons as well as purely financial ones. Yet it is estimated that between 8 per cent and 10 per cent of official world monetary reserves are now held in the German currency—to which the private holdings of foreign companies, pension funds and so on must be added.

The greater the success of the West German economic and financial performance relative to the American one, the more likely it is that the Deutsche Mark's position will strengthen further.

The implications are serious not simply for the Dollar—Deutsche Mark relationship but for the proposed EMS. The system in its initial form will clearly not of itself undermine the existing reasons for the particular attraction of the Deutsche Mark. It might have done so had the European Community adopted a system insisting on corrective action by a strong—as well as a weak—

currency country when its currency crossed a fluctuation threshold defined in terms of the European Currency Unit (ECU). But this kind of additional burden was rejected by the Bundesbank, for one, as unacceptable. The final formula adopted is looser. As things stand, the Dollar problem seems bound to mean particular pressure on the Deutsche Mark rather than on its EMS partner currencies, and hence will act as a highly unsettling factor for the system.

## Reserve asset

An alternative would be to build up the role of the ECU so that it could gradually take on the role of a reserve asset, thus removing some strain from the Deutsche Mark. Quite apart from the temporary difficulties the EMS has run into, that will require time. Meanwhile the Germans will have to live not only with the domestic benefits of their success but with the external pressures from all those floundering behind.

## Letters to the Editor

### Unity in Europe

From Mr. F. Pacion

Sir.—It is becoming increasingly fashionable to call for a total review of the Common Agricultural Policy and your report (January 18) that Britain may decide to intervene in the difficulties between France and Germany over agreeing an monetary compensatory amounts and farm price levels as a prerequisite to the commencement of the CAP has not been good.

The aim of the Community and its institutions is to create a unity in Europe which supercedes national priorities and the threat of Britain, France and Germany pursuing their national interests over the CAP is a serious threat to Europe's future.

Agriculture is at the heart of unity throughout Continental Europe. Everything that is stable and secure in Continental Europe comes from the land: the family home; exports; self-sufficiency in food supply; guaranteed employment; and an increasing prosperity that is a everyday life. These are the yardsticks by which the people of Europe measure the success of the CAP and the European idea—not the temporary over-supply of certain commodities or the rise in farm gate prices.

This is the achievement of the "politique" of the CAP: it is the cradle of European society and if this vital, self-perpetuating rural society were to be destroyed by British intransigence or French nationalism it would destroy the whole concept of European democracy.

The future of our democracy depends on the success of Europe and that success depends on developing new policies that will make as great a contribution to the quality of life of the people of Europe as the Common Agricultural Policy is doing now.

Frank Paton

Smacombe House, Emore,

Briddon, Somerset

### Farmers and prices

From Mr. D. Bloom

Sir.—It seems very odd of you to invoke (January 18) the farm price review as evidence in favour of devaluing the Green Pound, when your own columns tell us that last year's 11 per cent fall in farming income was an average struck between great extremes: minus 57 per cent for arable farmers, mainly because of the collapse of the potato market which we run on a national basis, and plus 35 per cent for dairy farmers whose products are the very essence of the common agriculture policy. Devaluing the Green Pound would do absolutely nothing for potato farmers and would make the EEC milk surplus worse.

You assert that devaluation of the Green Pound must be matched by revaluations elsewhere. Setting aside the impracticality of a proposal which will only be entertained by the Germans if their farmers are compensated by national subsidies (which would negate the purpose of revaluation) or

to the many concerns of international management. As industry is affected by the pervasive influence of government, I hope I may be permitted to highlight this important dimension of economic development.

Although one can argue that planning at every level is commendable, a major obstacle to economic development in many Third World countries is the authoritarian traditions and the diversion of economic effort to political life promoted by centralised planning resulting in much waste and political and social conflict. If self-sustained growth of Third World industry is to be achieved and accelerated, the task of management is to lobby for a looser framework within which individuals and businesses are encouraged and enabled to contribute to economic development.

Furthermore, the exaggerated belief in the efficacy of very expensive science and technology leads to failure to distinguish between technical and economic efficiency. (This is evident in developed countries, too, for example, Concorde, Rolls-Royce.) This neglect tends to underplay the importance of personal, political and social determinants of development. These beliefs and practices result in adverse effects on the allocation of resources (aggravated by licences, permits, etc., granted in most cases for political and ethnic considerations) on mobility and on economic

opportunities through external business contracts.

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## Davy sets full year target at around £25.4m

WITH TAXABLE profits slightly improved from £18.4m to £18.52m for the six months to September 30, 1978, the directors of Davy Corporation say the full year results are likely to be in the region of the previous years, when pre-tax surplus reached £22.1m.

Turnover for the period rose from £108.15m to £125.74m, with the increase in work in progress, at £90.57m (£83.95m) lifts total work done by £14.21m to £216.31m.

The directors say it is not

possible to accurately predict current year profits, but results will be affected by the position in Iran, where a number of contracts were in the course of construction, and the continued poor demand for certain sections of the group's manufacturing business, notably castings.

The Iranian situation is quite confused and although the company is well protected, the directors are bound to take a conservative view at this stage, they state.

The good order book of last year has been well maintained and the flow of future profits remains healthy, the directors report. The group's strong cash position was confirmed.

After tax of £4.43m (£4.37m) half-yearly net profits were little changed at £4.09m against £4.05m. The net interim dividend is effectively raised from 1.815p to 2p per 25p share, costing £1.51m (£1.37m)—last year's final was an equivalent 3.7125p.

In the last few months, the directors say the most notable events have been the acquisition of McKee Corporation in the U.S. and the increasing opportunities for business in China.

Several significant contracts have been obtained in China, amounting to some £180m, by the group's German and British companies; the potential is very great indeed and is viewed optimistically. Other markets in the world continue to be served with vigour, they add.

The directors describe the

### HIGHLIGHTS

Davy Corporation releases a disappointing set of half-year figures and the shares fell by a tenth yesterday. In the early market short-term interest rates have moved significantly higher in the last couple of days. Finally, Low iron at Associated Newspapers' major plant to cut serious losses at the Evening News. Elsewhere, Courts has produced a sharp upturn in half time profits, thanks to a large transfer from deferred HP profit into the profit and loss account and Smith Brothers produces its interim.

merger between Davy and McKee as an event of great importance to both companies which has created a capability for engineering and construction of considerable magnitude, offering high potential benefits.

In the short term, however,

the McKee workload is below the high level of recent years,

reflecting a cyclical downturn in the engineering and construction industry.

Lex, Back Page

## Bootham expands to £0.68m

PRE-TAX PROFITS of Bootham Engineers rose from £681,183 to £811,183 in the year to October 31, 1978. Turnover was well ahead at £5.01m against £3.7m.

After tax of £270,332 (£269,886), earnings per £1 share are shown to have risen from 61.7p to 61.3p.

The net final dividend is 2.895p, making an effective total of 5.145p—last year's payment totalled an adjusted 4.6075p.

At the half-way stage, pre-tax profits stood at £389,000 (£196,000).

## Hall Bros. Steamship deficit

A LOSS of £190,630 in the year to August 31, 1978, is reported by Hall Bros. Steamship Company. Last year there was a loss of £123,269.

The current figure is struck after all charges and exchange losses of £36,444 (£53,339). Net tax is payable (£7,923).

For the year ended August 31, net profit is stated at 34.49p per £1 share, down 16.36p. There are no ordinary or preference dividends—last year the total payment was 2.64p.

Turnover in the year was up from £782,617 to £850,165.

### Greenfriar

Earnings per 25p share of Greenfriar Investment Company are shown to have risen from 1.81p to 1.87p in the year to December 31, 1978. The net dividend is increased to 1.68p.

Gross income of £295,701 (£227,480) is subject to interest of £165,191 (£93,268) and management expenses of £36,223 (£30,588). Tax is payable at £29,655 (£41,138).

REFLECTING A reduced level of market activity, profits before tax of Smith Bros. stock and share jobbers dropped from £22.61m for the half year to October 27, 1978, compared with £704,282 last time.

Since the half-year end turnover has not improved, but the directors say it is too early to forecast the outcome for the full year.

Tax for the six months takes £125,000 (£350,000) leaving net profits down from £354,282 to £7,610.

The interim dividend is kept at 1.5p net per 25p share, costing £311,011 (£124,912), and leaving a loss of £33,401 against a £227,370 surplus.

In the 1977-78 full year, pre-tax profits of £114.725 were achieved and dividends totalling 4.96617p were paid.

### • comment

The profit of Smith Brothers, stock jobbers, continues its roller coaster path despite the efforts of its management to diversify sources of income into the international securities business. The sharp drop in pre-tax profit for the first half reflects year-to-date turnover in the London Exchange. The effects of this were inadequately offset by dealing in gold mining shares—a Smith Brothers specialty—where international activity was also muted. So far, the company's California venture and its activities on the European Options Exchange have not had time to make a real contribution. There are still three months to go and a burst of Stock Exchange activity could make a big difference. But as yet there is no sign of an improvement. The management has incurred a small deficit in maintaining the interim dividend. Assuming that this is what they will do for the full year the shares yield a substantial 14 per cent at 55p, down 3p.

In July a second warehouse will be opened in Tamworth.

Meeting, Connaught Rooms, WC, February 14 at noon.

### K Shoes chief

### warns on leather prices

A satisfactory start to the new year has been made by K Shoe Shops, says Mr. Spencer Crookenden, chairman of K Shoes, in his annual review, and the manufacturing company has begun in a better state than 12 months ago.

There has been a good clearance of autumn shoes and boots, a good response from retailers to the spring ranges, and tighter control over quality and stocks.

He says the company is concerned by the way leather prices have risen, and he foresees that these increases could well continue through 1979, lifting retail prices of leather shoes and boots by between 25 and 55 pence.

Imports remain a threat.

As reported on December 8, pre-tax profits rose by 89 per cent to a record £3.95m for the year to September 30, 1978, on turnover 23 per cent higher at £32.03m.

On the industrial branch, new annual premiums improved by 26 per cent last year is reported by the Hearts of Oak Benefit Society from £972,000 in 1977 to £115m in 1978. Premiums on conventional life business rose marginally from £636,000 to £649,000 and the growth came from sales of property linked business. Here annual premiums were nearly 60 per cent higher at £327,000 against £336,000. New single premiums fell slightly from £58,000 to £57,000.

Higher rates of reversionary bonus for 1978 on all classes of with-profit business and the introduction of terminal bonus payments this year have been announced by the Eagle Star Insurance Group.

Under ordinary life and endowment contracts the new rate is 5.65 per cent of the sum assured and attaching bonuses compared with 5.50 per cent in 1977.

The interim bonus rate for this year is maintained at this new level until further notice.

The company has also introduced a terminal bonus payable on death or maturity claims.

This is intended to represent the investment profits earned to date on existing business. The company did not join the majority of life companies which introduced terminal bonuses in the late 1960s and early 1970s. Now it has taken the decision that this method is a means of maintaining fairness between different generations of policyholders.

The present rate is 20 per cent of all attaching bonuses.

If current investment conditions continue, the declaration of a terminal bonus may well become a regular feature.

The interim is that the position will be reviewed annually and the company warns that the rate may well fluctuate from year to year.

Under group pension and discretionary schemes, annual reversionary bonus rates are lifted to 5.65 per cent of the basic benefit and attaching bonuses from 5.25 per cent. The final maturity bonus remains unchanged at 30 per cent of the total benefits.

On the Personal Pension and Executive Pension Plans, the bonus rate is improved to 24.15 per cent compound for 1978 from 23 per cent in 1977. These bonus rates remain at the new level.

The Gresham Life Assurance Society, a member of the Rothschild Group, has announced higher rates of interim bonus for UK with profits contracts applicable from April 1. On the new series policies the rate for assurance is lifted to 23.50 per cent.

recur, but it should be said that we carry forward after writing off the expenses of it, valuable research and development knowledge and a proven design of the Super 4 for which in due course there should be good demand.

Normalair-Garrett Limited business is growing soundly. It made a profit of £2.7m in 1977/78 and we expect a further increase in this current year.

In all the rest of the Group's activities good profits were made in 1977/78, and further progress is under way.

The total expenditure on research and development in 1977/78 amounted to £19.8m, of which £2.8m was written off to Profit and Loss and the rest funded by contracts.

The Group is well diversified in its products, its markets and its locations. In addition steps are being taken by the Helicopter Company to prepare for increased business in the civil market.

Estimated results for October to December, 1978 indicate that a good start has been made to the year and we have also had in mind the strengths of the Group which I have just outlined. We have recommended a dividend of 1.0p per share.

The helicopter business, whilst depending as always on success in obtaining a relatively few orders of high value, is soundly based and generally profitable. The adverse conditions of the Super 4 contract will not be allowed to

## UK COMPANY NEWS

## Reduced market activity hits Smith Bros. profit

### DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding payment	Total for year
			div.	year
Betham Engineers	2.8	Apr. 12	4.61*	4.61*
Courts (Furnishers)	1.71	April	1.56	3.55
Hall Bros.	int.	int.	nil	nil
Kakadu	40*	Feb. 26	60%	1601
HIL Holdings	int.	Apr. 2	3	3
Smith Bros.	1.5	Mar. 29	1.5	4.57
David S. Smith	int.	Mar. 9	1.25	1.25
Vantage Securities	0.45	Mar. 28	0.35	0.5

Dividends shown pence per share net except where otherwise stated.  
\* Equivalent after allowing for scrip issue. t Kenya cents throughout. \*\* Includes special dividend of 20K cents. t Includes special dividends total of 60K cents. || Early. \*\* Australian cents throughout.

## Martin the Newsagent set for buoyant year

A MATERIAL improvement in profits for the current year is expected by Martin the Newsagent, assuming industrial conditions improve. The effects of this were inadequately offset by dealing in gold mining shares—a Smith Brothers specialty—where international activity was also muted.

At least £2m is expected to be spent on expansion this year; most of this will be in the purchase of established shops with the balance used in fitting out about 12 sites and redeveloping six existing branches.

In July a second warehouse will be opened in Tamworth.

### NEW LIFE BUSINESS

## Strong headway by Reliance Mutual Ins.

A 70 per cent rise in new annual premiums on its ordinary branch is reported for 1978 by the Reliance Mutual Insurance Society, rising from £411,000 in 1977 to £700,000 last year. However, new sums assured more than doubled over the year from £58m to £73m. This reflects very strong growth in the sales of whole-life non-profit and convertible term assurance contracts.

The company is not a member of Life Offices Association and still operates the old style method of commission.

New single premium income, almost entirely linked bond business, rose by 60 per cent from £270,000 to £436,000. Almost all the investment was made in the company's successful property fund.

On the executive pension plan the illustrated benefits are now being calculated on a reversionary bonus basis of 28 per cent per annum compound.

Provident Mutual Life Assurance Association has also announced higher rates of interim bonus on its pension contracts. On group deferred annuities the rate on those subject to a pre-1973 surrender guarantee is now 6.5 per cent compared with 6.25 per cent, while on all other group contracts it is 6.25 per cent compared with 6.25 per cent previously. On individual pension arrangements, executive and self-employed, the new rates are also lifted to 6.5 per cent from 6.25 per cent.

On retirement annuities, both group and individual, the nominal annual bonus continues at 6.25 per cent, with an additional bonus of 6.25 per cent for those who elect to vest the whole of their benefit during 1979. On dynamic annuities, bonuses will continue to be added at the rate of 10 per cent to pensions in course of payment, thus more than keeping pace with the current rate of increase in the cost of living.

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The interim is that the position will be reviewed annually and the company warns that the rate may well fluctuate from year to year.

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## Courts advances at six months

### BOARD MEETINGS

## Board change at Westland

THE RETIREMENT of Mr. Walter Oppenheimer as vice chairman and as an executive director of Westland Aircraft leaves the group with the job of finding a new finance director—a post Mr. Oppenheimer has unofficially filled for the past three years.

Mr. Basil Blackwell, Westland's chief executive, said yesterday that although Mr. Oppenheimer had three years ago resigned as finance director, he had continued to carry out many of the duties of that post. No successor had as yet been appointed.

"Mr. Oppenheimer has been gradually relinquishing some of these duties to other men around him, but we do intend eventually to appoint a new finance director—at the right opportunity," said Mr. Blackwell.

Mr. Oppenheimer, who is to remain a non-executive director of Westland, has been with the group for 26 years—most of them as a main board director. The latest projection indicates that Westland's joint Arab venture in Egypt will achieve reasonable profitability after 1982. Until production is under way, however, there will be significant expenses which cannot properly or prudently be carried forward as work in progress, Lord Aldington, the chairman, warns.

The directors have been advised, however, that if this associate company's losses are within the area between the nominal value of the group's holding in it—eventually to reach U.S.\$8m—and the value in its books it need not debit its profit and loss account, Lord Aldington states.

At home the current year may be a bad time for hovercraft orders. Even so, the Super 4 hovercraft and Lynx helicopters, totalling £16.16m (£15.54m), that Westland sold from a £5.24m pre-tax surplus into a £2.36m loss for the year to September 30, 1978—as reported January 11.

On a current cost basis along the Hyde Guidelines the loss would be increased to £8.75m by additional depreciation of £1.2m and £1.5m extra cost of sales less a £1.7m gearing adjustment. Last year's loss was up at £2.62m last year was up at £18.6m (£18.5m) and the net dividend is cut to 1p (£1.8875p). Net liquidity at year end was up £26.55m (down £1.26m) with net borrowings were cut to £8.64m (£38.74m).

A good profit record is expected in the years ahead from the group's environmental control and allied products activities but it will be some time

before its other operations, now grouped under the heading Westland Technologies, is likely to take a few years before they make a significant effect on results.

It was in March last year that Westland and Rolls-Royce announced that they had signed a major helicopter deal with the Arab Organisation for Industrialisation in Cairo and a joint company called Arab British Helicopter Company was set up with £17m capital.

Westland's agreements provides that when all the share in the new Egyptian company have been issued it will hold 30 per cent with a nominal value of US\$8m. To date the thirds of the shares have been issued and the Arab partners in the venture have paid their 70 per cent in cash.

Lord Aldington explains that no remittance of cash has been made, but the shares allotted to Westland have been allotted as fully paid in consideration of the Lynx licence. Shares allotted to Westland over the next 18 months will be similarly taken in return for launching assistance.

Credit for the U.S.\$8m notionally agreed as the licence fee, will be taken by Westland in later years. Meanwhile the British manufacturer has agreed to pay £733,000 to its partners in the Lynx development, the Ministry of Defence and Aerospatiale.

In the circumstances investments shown in the 1977/78 year end balance sheet at £1.4m, include only a nominal £1.00m in respect of the Arab venture, the chairman states.

Substantially higher progress payments left work in progress at the end of 1977/78 down from £65.5m to £56.37m. Capital commitments amount to £2.12m (£1.83m) with 0.45m (£0.68m) authorised but not contracted.

Meeting, Hyde Park Hotel, SW, on February 14 at noon.

### Kakuzi well down at nine months

Pre-tax profits of Kakuzi coffee, tea and sugar plantation owner and farmer, were down from K£1.66 to K£1.069 in the nine months to November 30, 1978. Turnover fell from K£3.92m to K£2.43.

The interim dividend is 10 K cents (90 K cents including special dividend of 20 K cents). The company expects the final to be no less than 60 K cents—last year's final was 100 K cents including special dividend of 40 K cents.

After tax of K£332,350 (K£680,300) and minorities of K£45,925 (K£27,986), attributable profit stood at K£469,794 against K£951,859.

### Liden shares slump as accounts are delayed

NEWS that the annual results of Liden Holdings are to be delayed for a month wiped almost a quarter off the group's stock market capitalisation yesterday.

This is the second time that results from Liden have either been postponed or delayed. The group—a whitewood furniture manufacturers and timber importers—was given Stock Exchange permission at the end of last year to forgo publication of interim results. At that time Liden said that its year end results would be ready for release by January 23, 1979.

Mr. Norman Clothier, Liden's chairman, said that the latest problem with the accounts had been caused by a combination of ill-health of senior executives and recent disruption to the group's business through bad weather and industrial action by tanker and lorry drivers.

Mr. Clothier, who has a 29.5 per cent stake in the group, said that Liden's preliminary annual results would now be due for publication on February 23.

He said that it would have been meaningless to have published interim figures in which there were some obvious flaws.

### Notice to the Holders of

### Mac Millan Bloedel Limited

5% Debentures Series J Due February 1, 1992

Please note that the Series J Debentures, the serial numbers of which are set out below, have been drawn for redemption and have not been claimed, and that the total amount of Series J Debentures outstanding on December 31, 1978 was U.S. \$47,100,000.

The Company's Paying Agents are:

Canadian Imperial Bank of Commerce  
Commerce Court  
Toronto, Ontario M5L 1G9

Canadian Imperial Bank of Commerce  
Brockenhurst Landstrasse 53  
6000 Frankfurt-am-Main  
West Germany

Banca Commerciale Italiana  
226 Via Del Corso  
00186 Rome, Italy

Pierson, Heldring & Pierson  
206-214 Herengracht  
Amsterdam, Netherlands

Kredietbank N.V.  
Arenbergstraat 7B-1000  
Brussels, Belgium

Swiss Bank Corporation  
Aeschenvorstadt 1  
4002, Basle

The serial numbers of the Series J Debentures called for redemption and not claimed are:

678 3864 4145 4178 4207 4560 15232 15346 15852  
1714 4078 4103 4156 4204 4545 16230 15309 16350 15920

CITIBANK, N.A., Trustee

### CHANGES TO CLEARING BANK ACCOUNTS

## The Big Four drop "Leach-Lawson"

BY MICHAEL LAFFERTY

THE London clearing banks' announcement of changes in their accounting and disclosure policies mark the most significant development in UK bank accounting since 1970. Not only are the clearers to abandon the unique "Leach-Lawson" rules which were developed specially for them at the end of the sixties, but they will also be revealing bad and doubtful provisions and charges. The new accounting policies will be implemented in this year's batch of annual reports.

The starting point in the recent history of UK bank accounting policies is probably the Companies Act 1948 which entitles banks, as well as insurance and shipping companies, to certain exemptions from the disclosures applicable to all other companies. The principal exemptions enjoyed by the banks absolved them from the obligation to disclose certain details of reserves, assets, liabilities, income and expenditure, and amounts set aside to or withdrawn from provisions and reserves. This situation prevailed until the National Board of Prizes and Incomes reported in 1967 that "the Government should aim at eventual complete disclosure of profits and reserves as soon as practicable."

The London and Scottish clearing banks responded in 1968 by agreeing to forego a majority of the previous exemptions. However, as the recent Price Commission report on bank charges stated, bank disclosure remained incomplete, because the banks did not agree to reveal provisions for bad and doubtful debts.

Here the story is complicated by the clearers' decision in the late 1960s to call in two distinguished chartered accountants, Sir Ronald Leach and Sir William Lawson, to work out special accounting rules for the treatment of bad debts and gains and losses on investment. The object of what became known as the "Leach-Lawson" rules was to ensure a certain degree of uniformity in the approaches adopted by each bank to the treatment of these items in subsequent accounts.

The thinking behind the accounting methods proposed in both areas was to smooth bank profits. In the case of bad debts the practice has been to make an undisclosed charge against profits each year, based on the average experience of bad debts in the current and four preceding years. If the resulting provision was inadequate or excessive to a material extent the profit and loss account was charged or credited, and the amount disclosed separately. This averaging approach is now to be dropped, so that clearing bank accounts will in future reveal actual bad

debts written off and provided for each year, as well as the aggregate balance sheet provisions against advances.

The "Leach-Lawson" rules for bad debts, as well as the absence of disclosure in this area, came under renewed attack from the Price Commission last year.

The Price Commission noted that in the U.S. banks normally disclose all provisions. It doubted whether bank customers understood the Leach-Lawson rules and alleged that their very existence contributed to the air of managerial authority with which the banks conduct business with their smaller customers.

But the Price Commission, it is probable fair to say that the clearers themselves were by last year becoming increasingly aware of the shortcomings of Leach-Lawson and the associated matter of non-disclosure of bad debt provisions and charges. Following the Price Commission report a top-level committee of bankers and finance directors was established to look into the whole area of bank accounting and disclosure. Monday's policy statement is the outcome of that study.

According to one person closely involved in the study, when the clearers compared notes they found significant differences in the detailed accounting rules followed by each. The disparity was so great in some cases that it is said to have been quite impossible to compare the banks' figures with each other. One of the main reasons for this is referred to mysteriously as "suspended interest." Quite simply it concerns the accounting treatment of interest on debts considered bad. At one extreme it is said that one bank took such interest into annual profits, while another only took credit for the interest when debts eventually proved good.

Though bad debt accounting and disclosure is very much the more interesting area of the new bank accounting policies, the changes are unlikely to have much impact on reported bank profits. Not so, however, with the other aspect of Leach-Lawson which is now being dropped—leveraging of investments of gains and losses. According to Keith Brown, a bank analyst at stockbrokers Greenwell and Company, "this change has the potential for causing most volatility in bank profits from now on." For example in its 1977 accounts Barclays Bank reported a group profit on investments of £25m, yet the profit and loss account showed a loss of £2.5m.

The final feature of the new bank accounting policies concerns deferred tax. In future the clearers, like most other industrial companies, will only make provision for the taxes actually expected to become payable in the foreseeable future. This will result in the write-back into shareholders' funds of substantial amounts. For example, the 1977 accounts of Midland Bank showed deferred tax of £1.4m, while National Westminster had a provision of £1.2m. If all these amounts are now included in capital the effect on each bank's free equity ratio would be dramatic. According to Greenwell estimates Midland's free equity ratio (after adjusting for the recent Bland-Payne deal) would go up from 2.2 to 3.4, while National Westminster's ratio would go up from 1.5 to 2.6.

# Hickson & Welch (Holdings) Limited

Extracts from the 1978 Annual Report and Statement by the Chairman, Dr. T. Harrington

I stated in my last report that we expected to have difficulty in reaching the profit achieved in 1976/77. This turned out to be the case and the pre-tax profit, for the year at £8.11m was some 20% down on the previous year.

With hindsight it is now clear that profits in the year to September, 1977, were influenced by a number of favourable factors. Our products were in strong demand throughout the financial year, even though the chemical industry in general was slipping into recession towards the end of this period. The £ sterling experienced its all-time low against the U.S. dollar and was weak compared with most of the other currencies in which we deal, and we continued to enjoy relatively cheap fuel prices in the last year of a five year contract. In the year under review these factors all moved against us.

Demand for our products began to slacken as early as October, 1977, and for the first six months of our year production was down by some 15-25%. In the second half of the year there was some recovery, but we still (December, 1978) have spare capacity for a number of important products.

### Capital Investment

We are continuing with our programme of capital investment. Last year we spent just under £7.0m, and we are budgeting a similar figure for the year to September, 1979. I am confident that the additional production capacity which we shall bring on stream in the next 2 years will produce a satisfactory additional return.

### Timber and building activities

Our timber preservation activities held up well during difficult trading conditions and profit was only slightly lower than last year, whilst in building materials Alvin Morris Ltd. showed a welcome improvement. The diversity of

our activities in these areas has provided a stabilising influence on your group's performance and here again we are seeking to expand our operations.

### Future prospects

There are many factors which make forecasting so difficult. However, my view is that if there is no major interruption to production and if pay levels can be kept within reasonable limits, the year ahead will show an improvement, but it is too early yet to say whether we shall return to the profit of 1978/77. Looking ahead I would hope for a further move forward in 1979/80 by which time we should have the full benefit of some of our recent investment in new production capacity.

Year ended 30th September 1978 £'000 1977 £'000

Group profit before taxation	8,118	10,135
Earnings for ordinary shareholders	7,288	7,294
Total ordinary dividend	747	689
	(7,724%)	(20.752%)

Investment in new capital expenditure 5,842 5,778  
Turnover 71,451 68,108  
Export sales of the U.K. companies 25,300 26,000  
Earnings—pence per share 38 36  
Net 1978 after 2 for 1 scrip.

\*Calculated on 19,341,321 ordinary shares in issue following the increase in share capital during the year.

The full Annual Report and Chairman's Statement can be obtained from the Secretary,

Castleford, West Yorkshire WF10 2JT.

**HICKSON** AND TIMBER PRESERVERS

## Grindlays

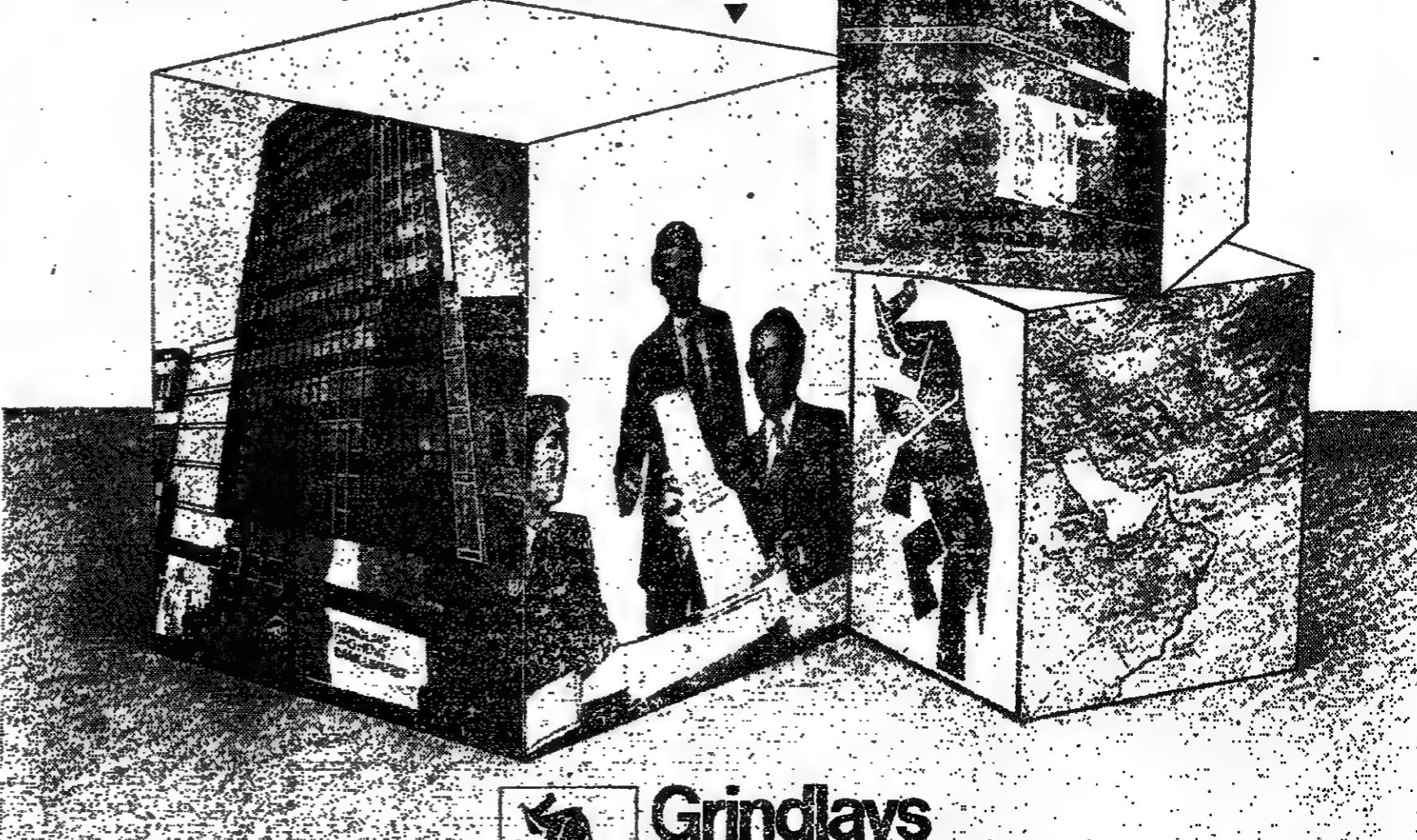
### A name you can bank on around the world

Banking on Grindlays means more than taking advantage of the Group's network of branches in some 35 countries. It means working closely with our specialists in such fields as export finance, foreign exchange, eurocurrency finance, and corporate banking. They take full advantage of the regional knowledge and support provided by over 200 Group branches and offices located in most of the major world markets.

This teamwork provides the right financial products and packages at the right time.

In the Gulf area Grindlays has one of the largest branch networks of any international bank with 20 branches serving the U.A.E., Bahrain, Oman and Qatar. Major project business in the Gulf keeps them in close touch with Grindlays offices in London, Tokyo, Dusseldorf and other international centres.

In Hong Kong, the Group has a specialist merchant banking team serving the Asia Pacific region and supporting our offices in places such as Australia, South Korea, Japan and Singapore. Here the head of the Eurocurrency team in Hong Kong works on a project with executives of the Grindlays Dao Heng Bank.



**Grindlays  
Bank  
Group**

23 Fenchurch Street, London EC3P 3ED.

## UK COMPANY NEWS

**Downturn at David Smith**

**ANNOUNCING** A fall in pre-tax profits from £672,000 to £428,000 in the six months to October 31, 1978. Mr. A. S. Smith, chairman of David S. Smith (Holdings), says that an unofficial strike for more than four weeks resulted not only in a loss of production but also in a substantial loss of business.

The effect has carried over to the early part of the current period, he adds, but the order book is now back to its "traditional level".

He says the effect of the road haulage strike could be severe. The company is already affected by a disruption to supplies of materials and the inability of some customers to accept delivery.

The duration of the strike will determine the seriousness of the effect, and under the circumstances, he adds, it would be imprudent to attempt to forecast the results for the year.

After tax of £223,000 (£349,000), earnings per 20p share are shown down from 6p to 3.8p. The net interim dividend is raised from 1.25p to 2p. Last year's total payment was £2.662m on pre-tax profits of £1.3m.

Turnover in the six-month period fell from £2.73m to £2.58m.

Pre-tax profits were struck after depreciation of £47,000 (£44,000) and interest received of £100,000 (£65,000).

The company has interest in photo-litho printing and carton manufacturing.

**Sales increase for Elson & Robbins**

In the first quarter of the current year, turnover of Elson and Robbins was up from £4.9m to £5.08m and production at its main subsidiary, Domestic Industrial Pressings, is now running at record levels, Mr. E. R. Keeling, the chairman, told the annual meeting.

For the year ended September 30, 1978, turnover increased £3m to £15.84m and pre-tax profits were a record £1.8m (£1.74m).

**Greenall Whitley looking for faster profit growth**

**THE DIRECTORS** of Greenall Whitley and Company, brewer and distiller, are looking for a faster growth of profits from its enlarged business. Following the merger last June with James Shipstone, says Mr. Christopher Hatton, the chairman, in his annual statement:

"Current year sales are reasonably good, but the chairman says the group will be approaching the Price Commission soon with an application for a price increase in order to recover rising costs."

Costs are difficult to contain, he states, but the directors are certain that their policy of continuous improvement and extension of outlets, although expensive, will be amply rewarded.

He reports a number of approaches from interested pur-

chasers on a going-concern basis.

On a C.C.A. basis, pre-tax profits are cut to an adjusted £9.48m.

The chairman describes the Shipstone acquisition as extremely significant to the growth of the group, taking it out of its traditional north-west trading area and providing the opportunity for further UK expansion.

The group has already made certain management changes at Star and anticipates increasing trade substantially within the next two years through rationalisation and improvement of public houses following a complete market appraisal.

Meeting, Daresbury, February 15, noon.

**Receiver for A. Long**

Mr. B. H. Larkins has been appointed receiver and manager to A. Long and Co., the Wembly-based constructional equipment engineers.

At present, trading is continu-

**FREE STATE DEVELOPMENT AND INVESTMENT CORPORATION LIMITED**

(Incorporated in the Republic of South Africa)

UNAUDITED RESULTS OF THE COMPANY FOR THE HALF-YEAR ENDED 31 DECEMBER 1978

	6 months ended December 1978	6 months ended December 1977	Year ended June 1978
R'000s	R'000s	R'000s	R'000s
Net revenue excluding profit or loss on realisation of investments	287	228	554
Profit on realisation of investments	35	163	308
Profit before taxation	322	392	892
Taxation	—	—	21
Profit after taxation	322	392	871
Dividends for previous year	—	—	433
Net asset value per share	310c	280c	247c

**INVESTMENT PORTFOLIO:**

During the six months ended 31 December 1978 the company purchased 10,000 ordinary shares in Winkellshak Mine Limited and acquired an additional block of 4,000 ordinary shares in Rooberg Minerals Development Company Limited.

The arrangements for the switching of the holding of ordinary shares in Rustenburg Platinum Holdings Limited into the deferred shares referred to in the Directors' Report for the half-year ended 30 June 1978 were completed during the half-year.

**NOTES:**

- An interim dividend (No. 13) of 5c per share (January 1978-4c) was declared on 23 January 1978.
- The net asset value for the half-year is calculated before payment of the interim dividend.
- No provision for possible losses on future realisations of investments is included in the figures as this adjustment is made, if necessary, at the year-end.
- The Company is not liable for tax at the present time and therefore no provision has been made for taxation.
- It should not be assumed that the results for the first six months of the financial year will be repeated in the remaining six months of the year for the reasons that:
  - (a) income from investments does not accrue evenly throughout the year;
  - (b) the realisation of investments fluctuates in accordance with policy decisions and market conditions.

Head Office and Registered Office: On behalf of the Board B. J. JACKSON  
Consolidated Building, R. T. SWEMMER  
Corner Fox and Harrison Streets, Directors  
Johannesburg 20001.  
(P.O. Box 590, Johannesburg, 20001.)

**DIVIDEND NO. 13**

An interim dividend (No. 13) of 5 cents per share in the currency of the Republic of South Africa has been declared in respect of the year ending 30 June 1979 (1978 interim-4c per share).

The dividend is payable to members registered in the books of the company at the close of business on 9 February 1979, and is declared subject to conditions which can be inspected at or obtained from the company's Johannesburg Office, or the office of the London Secretaries (Barnato Brothers Limited, 99, Bishopsgate, London EC2M 3XE).

Subject to the said conditions, payments by the London Secretaries will be made in United Kingdom currency at the rate of exchange quoted by the company's bankers on 5 March 1979, provided that in the event of the company's bankers being unable to quote such a rate of exchange on that day, then the currency of the Republic shall be converted at the rate of exchange quoted by the company's bankers on the next succeeding day on which such a rate is quoted.

Dividend warrants will be posted from either the Johannesburg office or the office of the London Secretaries, as appropriate, on 16 March 1979.

South African resident Shareholders' Tax at the rate of 15% and United Kingdom Income Tax will be deducted from the dividend where applicable.

The Share Transfer Books and Register of Members will be closed from 10 February 1979 to 17 February 1979 both days inclusive.

By Order of the Board.

JOHANNESBURG CONSOLIDATED INVESTMENT COMPANY, LIMITED.

Secretaries,

per D. A. FREEMANTLE  
Head Office and Registered Office:  
Consolidated Building,  
Corner Fox and Harrison Streets,  
(P.O. Box 590),  
JOHANNESBURG.  
23 January 1979.

"When I made my first half-yearly report I forecast annual profits in excess of £750,000. In the event I am pleased to report a pre-tax profit for the year ending 31st July 1978 of £102,225."

Your Board faces the future with confidence."

Kenneth Frazier, F.C.A., Chairman

COMPARATIVE FIGURES	31.7.78	31.7.77
Turnover	£6,600,898	£5,419,108
Profit before tax	102,225	32,084
Profit after tax	98,256	25,704
Dividends per share	1.6p	1.60/75p
Earnings per share	3.9p	1.6p

The Annual General Meeting of the Company will be held at Edmund House, Newhall Street, Birmingham, on 11.30 am on Friday, 16th February, 1979.

Copies of the Report and Accounts are available from the Company Secretary, Delson & Co. Ltd, Leamster Road, Alvechurch, Birmingham B48 7NH.

Leamster Road, Alvechurch, Birmingham B48 7NH.

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Financial Times Wednesday January 24 1979

**MINING NEWS****Australia's MIM has a good half-year**

BY KENNETH MARSTON, MINING EDITOR

GOOD half-year results come from Australia's leading producer of base metals, MIM Holdings. Net profits for the 23 weeks to December 17 amount to £529.2m (£14.8m) and the interim dividend is raised to 4.5 cents (2.6p) from 3 cents a year ago; the final for the year to last June was 6 cents.

The net profit for the same period of 1978, £627.0m (£14.8m), was £100p in London yesterday. As already announced, the current year's interim dividend has been raised to 6 cents from 4 cents; the final is due next month.

Production during the second half fell slightly short of the record first six months, but there was little change in the price of copper. But the rise in the gold price during the 1978 second half may have kept profits on the rising path. The current year's interim has been raised to five toea (3.6p) from four toea; the final is due next month.

**'Freddies'**  
marks time

ONE of South Africa's smaller mining finance houses, Free State Development and Investment ("Freddies"), announces a rather disappointing net profit for the six months to December

31 of R322,000 (£184,000) compared with R382,000 in the same period of the previous year and a total of R871,000 for the full year to last June.

The net asset value at December 31, however, had risen to

310 cents (17p) per share from

260 cents at end-1977.

"Freddies" shares were 100p in London yesterday. As already announced, the current year's interim dividend has been raised to 6 cents from 4 cents; the final is due next month.

The company purchased 10,000

shares in Winkelhak and a further 4,000 shares in Roiberg

Minerals during the past half-year. Although investment in come and share realisation profits did not accrue evenly throughout the financial year, the overall strength of the gold and platinum price points to an improvement in second half earnings of "Freddies".

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## NORTH AMERICAN NEWS

**Change of strategy boosts Xerox**

BY STEWART FLEMING IN NEW YORK

A 17 per cent rise in fourth-quarter earnings was reported yesterday by Xerox, the world's leading copier manufacturer, and a company which has been signalling new growth strategies in recent months.

In the final quarter of last year, Xerox recorded earnings of \$108.9m or \$1.16 a share compared with \$93.3m or \$1.16 a share in the same period of 1977.

For the whole of 1978, earnings were 15 per cent higher at \$563.9m or \$5.77 a share compared with \$404.9m or \$5.03 a share in 1977.

Total revenues for the year are an extraordinary \$12m gain from a patent suit settlement with International Business Machines.

In 1978 and 1977, the Xerox

share price came under pressure as a result of analysts' concern that competition in the copier market would erode its growth. A change of strategy in the marketing of its equipment to place greater emphasis on outright sales over rentals, which bring in immediate cash instead of leasing machines, has however contributed to a surge in profitability.

Mr. C. P. McCollough, the chairman and chief executive, said today that in the fourth quarter worldwide rental and service revenues rose by 12 per cent, and for the year they were 8 per cent higher. In contrast, revenues from the sale of copiers and duplicators increased by 24 per cent in the fourth quarter, and 38 per cent in the year.

He added that the company is expecting another good year in 1979, in spite of the mixed economic outlook.

The figures for 1978 exclude increased by 16 per cent to

\$5.9bn from \$5.1bn in 1977.

Reflecting the improved profitability of outright sales, the company's pre-tax profit margin rose to 18.1 per cent one-point rise of a percentage point higher than in 1977, and its pre-tax return on average assets employed rose to 20.1 per cent, a 1.6 percentage point improvement.

There is mounting evidence, however, that Xerox is actively charting new strategies for the future. Last week it announced a \$207m agreed bid for WUI Inc., an international communications company. Analysts say Xerox is developing electronic business systems for what it sees as the office of the future, in which copiers and duplicators will communicate from far-flung locations.

**Sperry Rand growth**

BY JOHN WYLES IN NEW YORK

REFLECTING buoyant demand in the computer market, Sperry Rand reported a strong quarterly earnings gain.

Third-quarter earnings rose from \$39.6m or \$1.14 a share, to \$57.1m or \$1.62 a share. For the first nine months of its financial year, Sperry's earnings increased from \$117m or \$3.37 a share to \$164.6m or \$4.39 a share.

Mr. J. Paul Lyet, chairman and chief executive, said the company had broad continuing new order strength in the quarter and strong revenue gains were recorded in computer, farm equipment and fluid power businesses.

He added that the results, coupled with the \$3bn backlog at the end of last year, gave cause for optimism about the company's near- and long-term prospects.

Trans World Corporation, the parent company which also owns Hilton International and a catering subsidiary, Canteen Corporation, was pushed into the red in the last quarter by a \$32m loss at TWA. Although the airline often loses money in the first fiscal quarter, a

**Boise Cascade in agreed \$135m merger**

BY Our New York Correspondent

BOISE CASCADE, one of the leading U.S. paper and forest products groups, is planning to strengthen its paper operations with a \$135m merger with Stone Container, the thirteenth largest U.S. manufacturer of corrugated containers.

Stone said yesterday that its directors have approved an agreement in principle for the merger. The proposal provides that each Stone shareholder may elect to receive \$26.50 per share in cash for each share, or one share of a new Boise Cascade series B cumulative convertible preferred, for each 2,564 shares of Stone common stock.

Stone, which reported sales of \$287m and net profits of \$10.1m in 1977, has seen its profits decline from a peak of \$14m in 1974. But analysts have been predicting a recovery in 1979.

Boise Cascade, in contrast, has been enjoying strong growth with net earnings increasing from \$64m in 1975 to \$115.8m in 1977. Company sales in 1977 were \$2.3bn.

**TWA seeks fares rise after fourth quarter loss**

BY JOHN WYLES IN NEW YORK

deficit towards the end of the year had not been expected.

However, a major factor appears to have been TWA's failure to maintain traffic growth on its domestic services. Revenue per passenger miles rose by only 1 per cent in December, largely, it is believed, because of the airline's attempt to divide passengers into three classes of service, first economy and discount. This experiment was abandoned on December 6 when it became clear that bookings were being adversely affected.

For the full year ending December 13, 1978, Trans World's earnings grew from \$85.3m or \$3.35 per share to \$86.6m or \$4.54 per share. Revenues rose from \$3.33bn to \$3.63bn. Pre-tax profits at Hilton International totalled \$44.4m, at TWA \$3.1m and at Canteen Corporation \$21.7m.

Meanwhile, earnings at Eastern Airlines more than doubled last year from \$27.8m or \$1.38 per share to \$67.3m or \$2.91 per share. Revenue rose from \$3.04bn to \$3.38bn.

He added that the results, coupled with the \$3bn backlog at the end of last year, gave cause for optimism about the company's near- and long-term prospects.

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**Caterpillar profits surge**

BY OUR NEW YORK STAFF

CATERPILLAR, the earthmoving giant which is enjoying a business boom, reported a surge in profits for 1978, due mainly to strong last quarter results.

Earnings for the year rose 27 per cent to \$566.8m or \$6.56 a share, on a 23 per cent increase in sales to \$7.23bn. Included in this was a 38 per cent rise in net income in the last quarter of 1978 to \$157.5m or \$1.82 per share, on sales of \$1.98bn (up 27 per cent).

Although the company indicated that foreign currency to dealers.

transformation losses and the demands of exceptionally heavy production schedules had cut into earnings, it stressed that demand was strong and that results were a record.

Of last year's sales increase, 60 per cent was due to volume and the rest to price rises.

Caterpillar announced at the end of last year that it had increased its workforce by nearly 1,000, and that 50 per cent of its models of earth-moving machinery had been allocated

to dealers.

This announcement appears as a matter of record only.

**US\$ 300,000,000**

Trade Credit Facility

**INTERNATIONAL COMBUSTION AUSTRALIA LIMITED**

for special purpose promissory notes

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**STATE ELECTRICITY COMMISSION OF VICTORIA**

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**INTERNATIONAL COMPANIES and FINANCE**

Financial Times Wednesday January 24 1979

**INTERNATIONAL CAPITAL MARKETS****DM bonds slide further on Bundesbank measures**

BY FRANCIS GHILIS

By David Lascell in New York

**COOPER INDUSTRIES**, the major producer of tools and compressors which has a business association with Roll-Royce, is to buy Gardner-Denver, the Dallas-based maker of building and mining equipment in a deal worth \$630m.

Under a two-tier agreement, Cooper is to offer \$32 for 45 per cent of Gardner-Denver shares starting on or about February 13. Each remaining Gardner-Denver share will be exchanged for one third of a Cooper common share and one half of a share of a new issue of Cooper convertible preferred stock. The new stock will have a redemption value of \$33.

If approved, the deal would significantly expand the area of Cooper's engineering activities.

Gardner-Denver shares shot up \$5.50 on the news.

reflecting buoyant demand in the computer market, Sperry Rand reported a strong quarterly earnings gain.

Third-quarter earnings rose from \$39.6m or \$1.14 a share, to \$57.1m or \$1.62 a share. For the first nine months of its financial year, Sperry's earnings increased from \$117m or \$3.37 a share to \$164.6m or \$4.39 a share.

Mr. J. Paul Lyet, chairman and chief executive, said the company had broad continuing new order strength in the quarter and strong revenue gains were recorded in computer, farm equipment and fluid power businesses.

He added that the results, coupled with the \$3bn backlog at the end of last year, gave cause for optimism about the company's near- and long-term prospects.

Trans World Corporation, the parent company which also owns Hilton International and a catering subsidiary, Canteen Corporation, was pushed into the red in the last quarter by a \$32m loss at TWA. Although the airline often loses money in the first fiscal quarter, a

foreign bond market. It led Deutsche Bank to increase the indicated coupon (from 6% to 6.1% per cent) and also the indicated pricing (from 98% to par),

which they started after the Bundesbank measures announced last Thursday. Sterling denominated bonds fell by about two points across the board yesterday.

In the past 48 hours, DM-denominated bonds have shed about three-quarters of a point. The Bundesbank measures made the domestic DM market unhappy, and the terms of the latest Federal Railways loan compounded the misery. This DM 600m offering carries a coupon of 6% per cent and a maturity of six years. Most bankers were hoping for a higher coupon.

The weakening of the domestic market spilled over into the market for Eurobonds, which will have an average life of 8½ years. These bonds, which will have an indicated coupon of 6% per cent, will carry the guarantee of the Republic of Brazil.

Panama is arranging a \$10bn private placing through a group of banks led by Yamaichi Securities. Final terms include a 15-year maturity and a 7.6% per cent coupon.

Dresdner Bank is expected to

announce an issue of DM100m for the Brazilian company Electrobras later this week.

In the Kuwaiti Dinar sector, GESPA-Companhia Energetica de Sao Paulo is expected to raise a KD10m bond through three banks, Kuwait Foreign Trading, Contracting and Investment Company, Merrill Lynch International, and Orion. The issue will have a split eight and 12 year maturity. Indicated coupon is 8% per cent and the issue will carry the guarantee of the Republic of Brazil.

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Dresdner Bank is expected to

**Canada to raise \$500m in yen**

BY VICTOR MACKIE AND FRANCIS GHILIS

THE CANADIAN Government is negotiating loans of about Y100bn (U.S.\$50bn) with Japanese banks. This total is expected to be split into two separate operations: a line of credit worth about Y70bn and an offering of federal bonds denominated in yen to make up the balance.

The aim of this operation is to prop up the weak Canadian dollar. At the end of the year reserves of foreign currencies

stood at U.S.\$4.55bn, down only slightly from the figure of U.S.\$4.65bn at the end of 1977.

Overall, Canadian entities have been the largest fund raisers in the international financial markets this year: they raised close on U.S.\$6bn in the form of syndicated Eurobonds, and just over U.S.\$3bn in the form of bonds, both in New York and the Eurobond markets.

It is thought that the funds will go towards the purchase of a major stake in Light-Servicos de Electricidade, from the Canadian investment management company Brascan. The total cost to the Brazilian government of the 28 per cent interest in Light-Servicos is \$380m.

expected to be slightly higher than those of recent Brazilian credits, reflecting the absence of a guarantee. The latest Brazilian credit was a 10-year \$300m loan to Companhia Vale do Rio Doce, arranged by Chase, which carried a margin of 1 per cent throughout.

According to bankers, the Electrobras loan is likely to be structured in three tranches of 10, 12 and 15 years respectively.

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Clive Fixed Interest Income ..... 114.58

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Index Guide as at January 18, 1979  
Capital Fixed Interest Portfolio ..... 100.11  
Income Fixed Interest Portfolio ..... 97.75

## BUILDING SOCIETY INTEREST RATES

### GREENWICH

(01-850 8212)

281 Greenwich High Road,  
Greenwich SE10 8NL

Deposit Rate 6.45%, Share  
Accounts 8.10%, Sub-pn. Shares  
9.25%, Interest paid quarterly  
on shares/term shares. Monthly  
Income Shares 8.10%.

### LONDON GOLDHAWK

(01-995 8321)

15/17 Chalcots High Road,  
London W4 2NG.

Sub-pn. Shares 9.75%. Deposit  
Rate 7.75%.

Share Accounts 8.50%. 3 months.  
Accrue 9.00%.

Term Shares 9.50%, 3 yrs.  
9.25%, 2 yrs.; 9.00%, 1 yr.

9.00%, includes 0.25% Cen-

tary Bonus throughout 1979.

## Saudi Food Supplies and Supermarkets Corporation Limited

Project Financing partially guaranteed by

## Saudi Research and Development Corporation Limited (REDEC)

US\$ 25,000,000

Loan and Guarantee Facility

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Banque Arabe et Internationale d'Investissement (B.A.I.I.)

Arab African International Bank - Cairo

Arab-Malaysian Development Bank

Berhad

Banque Bruxelles Lambert

Banque Nationale de Paris

(Bahrain Branch)

Banque de Paris et des Pays-Bas

(Bahrain Offshore Branch)

Credit Agricole

Crocker National Bank

Kredietbank S.A. Luxembourgeoise

Manager and Agent:

Banque Arabe et Internationale d'Investissement (B.A.I.I.)

Companies  
and Markets

## FIAT MANAGEMENT CHANGES

# Keeping the emphasis on car production

BY PAUL BETTS IN ROME

WITH ITS top management reshuffle, the Fiat group gave eloquent confirmation yesterday of its intention to continue concentrating mainly on its traditional car production in coming years. This was clearly reflected in the promotion of Sig Nicola Tufarelli, who was formerly in charge of the company's car manufacturing activities, to be one of the three members of the company's key management committee and a new joint managing director.

Sig Tufarelli, who originally joined Fiat from Olivetti, has been widely credited with the recovery of the company's car sector following the oil-crisis slump five years ago. In the subsequent period, he succeeded in making the Turin-based group's car activities break even in 1976, gradually bringing them back to profit in 1977 and last year.

In what proved to be a disappointing year for most of Fiat's operations, especially for commercial vehicles in which the company has recently invested heavily, car turnover rose by some L1,000m to L5,757bn last year. Production also increased from 1,277,000 units in 1977 to 1,325,000 last year, although exports remained practically level at 551,000 units.

In large measure, the reshuffle announced yesterday is the final act in the wide-scale reorganisation programme started some ten years ago to rationalise and strengthen the group's structure by setting up a financial holding company, Fiat Holding SpA, controlling eleven operating companies in specific sectors.

In a letter sent to share-

holders, Sig Giovanni Agnelli, the Fiat chairman, emphasised that the group had now completed its reorganisation programme with the creation earlier this month of the last and most important of the new operating companies, Fiat Auto SpA, incorporating all car manufacturing activities and with a share capital of L1,200m. In view of Fiat's policy of 'decentralisation and internationalisation', a new management structure was now necessary, Sig Agnelli said.

Apart from the promotion of Sig Tufarelli, there are a number of other significant changes in the group's top management. While Sig Giovanni Agnelli remains the dominating personality in the new management, the day-to-day running of the group has been passed on to his younger brother, Sig Umberto Agnelli, Fiat's present deputy chairman and a ruling Christian Democrat senator. Sig Umberto Agnelli, who for some time has indicated his intention gradually to drop out of political life to devote himself chiefly to the activities of the company, has also been appointed executive managing director and chairman of the management committee.

Together with Sig Umberto Agnelli and Sig Tufarelli, Sig Cesare Romiti, who has been responsible for the group's finances, will also sit on the management committee. This suggests that the company's financial policy is unlikely to change. Sig Romiti has perhaps been the main architect of the successful consolidation of Fiat's financial position. This led to an increase in the group's overall financial assets of some L429bn to L630bn last year, together with a sharp rise in short term

liquidity totalling some L550bn at the end of last year.

But despite this improved financial position, Fiat, which has returned to profit largely as a result of its financial activities, is expected to report profits for last year, similar to the L65bn reported in 1977. This reflects the group's strategy of containing dividends to retain its self-financing potential.

The internationalisation of the group, whose net consolidated turnover increased from L11,440bn in 1977 to L12,920bn (\$15.5bn) last year, is also reflected in the appointment of M Jacques Vandamme, a former director of Fiat France and chief executive of the Fiat-Aliis earth-moving equipment concern, as chairman of Fiat's commercial vehicles subsidiary, IVECO. He takes the place of Sig Bruno

Becaria who, like Sig Niccolò Gioia, replaced on the management committee by Sig Tufarelli, is apparently being gradually eased out of the Fiat top management.

Other new appointments include the nomination of Sig Vittorio Ghidella, Sig Tufarelli's former Number Two, who takes over the new auto division, and Sig Marco Pitella, the new chairman of Fiat-Aliis.

In a broad policy of integrating the management of the main holding company and the various operating arms, the Agnelli brothers and a number of top Fiat executives will now also sit on the various boards of the separate companies. This was designed, according to Sig Giovanni Agnelli, to distribute responsibilities between the

holding company and the operating groups to balance the activities of the entire Fiat conglomerate.

One peculiar aspect of the new management structure is an apparent reduction in the influence of Fiat's Libyan shareholders, who see their voice on

## FIAT HOLDING SPA FINANCIAL POSITION AT DECEMBER 31, 1978

### A. SHORT LIQUIDITY POSITION

	1978*	1977	Change
Assets	552	458	+ 94
Liabilities (represented by advances in foreign currencies on exports)	1	151	- 149
Net	550	307	+ 243

### B. MEDIUM- AND LONG-TERM POSITION

	961	97	- 1
Bonds	— amounts due to banks and other financial institutions—secured	344	282
— amounts due to banks and other financial institutions—unsecured	1) Financing of new investments	283	217
2) Financing of exports	74	79	- 5
Total	797	675	+ 122

### C. INTERCOMPANY

	614	317	+ 297
Short-term advances	130	122	+ 8
Short-term borrowings	312	178	+ 134
Medium- and long-term advances	796	373	+ 423

### D. INVESTMENTS IN GOVERNMENT SECURITIES

	81	196	- 115
Overall financial position (Total A+B+C+D)	630	201	+ 429

\* Figures for December 1978 are provisional.  
† Including Lancia 5.50 per cent Bonds (1962/1980).

‡ Increase includes new secured loans against investments in Southern Italy.

§ Increase is net result of operations including.

Hiving off of L1.223bn loans to Teksid SpA after conferment on this company of Fiat's steel-working assets and new loans (at a floating rate of interest) totalling L180bn.

## Jaeger increases turnover

By Terry Dodsworth in Paris

JAEGER, the French vehicle instrumentation group which is now moving rapidly into the clock- and watch-making industry, pushed up consolidated turnover last year by 16 per cent to Fr 955m (\$222m).

The figures, which include sales of Bayard, a clock-making company which was taken over last year, show strong growth overseas, where sales were up by 20 per cent to Fr 202m.

Jaejer, in which the West German company VDO has a 41 per cent stake, says the results have been slightly affected by a dip in sales of its tachograph manufacturing subsidiary, caused by the depression in the commercial vehicle market.

The figures follow the announcement last week of a co-operation agreement between Jaeger and the Yema International watch-making company, which was sealed by a share exchange between the two groups.

## More French companies fail

By L DANIEL IN TEL AVIV

THE MARITIME Bank of Israel—a Government-owned institution—has been sold to the Eisenberg group of companies, which operates in Israel and abroad. Hitherto the bank has specialised in shipping transactions, but, it is understood, it is to operate in a broader field.

The sale is reported to have been made at \$10.5m. A protest has already been lodged by an American investor, Mr. Robert Hecht, who reportedly lodged a bid earlier on, which was lower but which he was apparently willing to increase.

He is himself in banking in the U.S. The sale is the first of a Government-controlled bank to be finalised. That of Trachot Mortgage Bank (the largest of its kind in the country) has still not been concluded.

The vessel can carry general, bulk and containerised cargoes.

ZIM's budget for 1979 is \$550m dollars—10 per cent up on 1978. Zim intends to place orders this year for 15 new vessels at a cost of \$200-250m.

ZIM ISRAEL Navigation Company has not only

## Strong rise at Malayan Banking

BY WONG SULONG IN KUALA LUMPUR

AFTER-TAX profits of Malayan Banking Berhad, Malaysia's biggest banking group, rose by 42 per cent to 16.09m ringgit (\$U.S.87.3m) for the first-half, and directors predict that the second half, ending in June, will be even better.

The group reported buoyant conditions with deposits rising by 28 per cent to 3.92bn ringgit. More significant still, however, was the increase in loans and advances which rose by

39 per cent to 2.40bn ringgit. The bank disclosed that under the new licensing requirements for merchant banks, the Government has ruled that a commercial bank holding shares in a merchant bank is not allowed to own shares in a second or third merchant bank.

As such, the group has decided to retain its 46 per cent holding in Asaembankers Malaya Berhad (the most active of the Malaysian merchant banks) and is in the process of negoti-

ating for the sale of its 25.2 per cent holding in Malaysia International Merchant Bank Berhad, and its 20 per cent holding in DMB Development Bank.

During the first-half of the year, the bank established five more branches in Malaysia, bringing the total branches to 147.

An interim dividend of 7 per cent (8 per cent previously) has been declared.

## Paint works development in Malaysia

By Our Kuala Lumpur Correspondent

ICI PAINTS SDN. BERHAD, a member of the ICI group of companies in Malaysia, is to spend 10m ringgit (\$4.5m) this year to expand its plant outside Kuala Lumpur to make it the biggest paint works in South-East Asia.

Some 8m ringgit is to be for expansion of production facilities and 2m

## WORLD STOCK MARKETS

## Wall St. maintains rise in active trading

## INVESTMENT DOLLAR PREMIUM

\$2.60 to £1.90-% (89%)\*

Effective \$1.9960 46% (45%)\*

STOCKS CONTINUED higher in

active trading with winners hold-

ing a three-to-two lead over

losers.

Consolidated Edison picked up

to \$24. It raised the dividend

but reported lower fourth-

quarter profits.

Xerox said December quarter profits rose and forecast another good year in 1978 but it was unchanged at \$58.

Eastern Airlines slipped 1 to \$91. Its fourth-quarter profits fell. Active UAL Inc. lost 2 to \$32. On the American Exchange, Friendly Foods fell 1 to \$9. Its chairman defaulted on loans used to buy 20 per cent of the company's stock.

Georgia-Pacific rose 1 to \$264 and Kimberly-Clark 1 to \$451. Hilton Hotels announced a surge in the December quarter net but only added 1 to 271.

In American stock exchange trading, Colonial Commercial dropped 4 to \$11. It was unable

to reach a final agreement to acquire Aladdin Hotel Corp. Active Scientific-Atlanta rose 2 to \$37.

## Tokyo

Nikkei Dow index closed at all-time high of 9,128.01, up 18.39 points from closing Monday. Trading volume totalled about 550m shares, up from about 380m shares.

Giant capital issues such as Nippon Steel and Toshiba were bought actively. Middle class blue-chips and natural resources issues also fared well.

Chemicals partly advanced. Toshiba rose 1 to \$64. Hitachi 2 to 280. Arabian Oil 400 to 2900 and Mitsui Mining 7 to 395.

Recently neglected populars also rose with Fuji Photo Film rising 3 to 710. Takeda Chemicals 10 to 552. Fujitsu 8 to 488, and Matsushita Communication 40 to 1700. Real estates closed lower on profit taking. The second market closed higher with volume 38m shares.

## Germany

Prices broadly higher led by machinery makers and stores. Among machine makers Linde was up DM6.30, KHD DM5.60 and GEH DM2.00 marks.

## NEW YORK

## JAN.

## Stock

## Jan.



## Companies and Markets

## LONDON STOCK EXCHANGE

# Monetary restraint warning and bleak industrial scene bring equities down to six-month low—Gilt steady

## Account Dealing Dates

First Declarer Last Account Dealings Date Jan 2 Jan 11 Jan 12 Jan 23 Jan 15 Jan 25 Jan 26 Feb 6 Jan 29 Feb 8 Feb 9 Feb 20

"Now time" dealings may take place from 9.30 am on two business days earlier.

The scene presented by stock markets yesterday was much the same as the bleak weather and industrial picture, and the FT 30-share index broke out of its three-month 27-points trading range to close at a six-month low.

Lack of any settlement in the lorry drivers' dispute and the Governor of the Bank of England's warning over the need for continued monetary restraint ensured an extension of Monday's downward trend, particularly in equities.

Dealers were relieved and encouraged by initial willingness on the part of some buyers to come in at slightly lower price levels but the downturn was subsequently resumed when demand was satisfied and small selling persisted. The market then became uncertain again and a Press forecast that Rank Organisation will make a £60m rights issue offer with today's preliminary statement began to weigh on sentiment; it had made little impression in the early trading.

The determination in the tone after the rallying tendency had petered out around noon was reflected in the F.T. Industrial Ordinary index which thereafter went progressively easier to close at the worst of the day with a fall of 5.5, to 487.6—it was last since July 10 of last year.

Business was naturally affected by the chaotic travelling conditions but in the circumstances official mark-ups of 3.782 were relatively higher than anticipated.

The call for the Government to keep its monetary policies under tight control gave a shred of comfort to the Gilt-edged sector. Longer maturities steadied after the previous day's sharp setback and, despite small selling which caused quotations to ease a bit at one stage, closed at overnight list levels. The shorter maturities, however, were disturbed by the further rise in money market rates to their highest for two years and, excepting only the two Variable coupon stocks, sustained losses extending to 4. The rate on this week's offering of Local Authority Yearling Bonds, at 12½ per cent, was marginally above expectations.

Following an active day's trade in the investment currency market, the premium closed 11 higher at 90½ per cent.

Yesterday's SE conversion

factor was 0.6837 (0.6874).

Almost half of the 433 contracts completed on the Traded Option market yesterday were done in Grand Metropolitan with 205 deals.

## Banks easier

Sporadic small offerings and lack of support brought further falls to the major clearing banks. Barclays, 350p, and NatWest, 229p, declined 3 apiece while Lloyds softened 2 to 288 as did Midland to 365p.

Discounts, Alexander, at 250p, gave up half of the previous day's rise of 4 following further consideration of the results. Union held firm at 317p in front of today's preliminary statement.

Insurances closed lower throughout the list in sympathy with the general trend. Rayns relinquished to 340p, London United, 4 to 175p and Willis Faber 3 to 225p.

The Scotch Whisky Association's warning over future export growth in the industry left Distillery issues displaying modest falls. Distillers cheapened 3 to 205p and Arthur Bell, which recently announced a marketing deal with Pernod Co to improve their share of the U.S. market, gave up 5 to 170p. Plans by the Major Brewers to push ahead for a 3p print price increase had little effect on the shares: Allied shaved a penny to 33p and Scottish and Newcastle fell a like amount to a 1978/79 low of 37p.

Quiet conditions persisted in the Building section where occasional selling was reflected in scattered losses of a few pence. Cement Issues to give ground included Blue Circle, 265p, and Tunnel "B," 300p, down 4 apiece. EPS eased 3 to 250p, while Vectis stone reacted 2 further to 50p on the recent speculative advance.

ICI encountered fresh sporadic selling and fell to 354p before settling at 355p, down 3 on balance. Other Chemicals were also inclined easier. Black & Decker, 188p, and Yorkshire, 34p, both reacting a few pence.

Burton down

Speculative spurt on a combination of bid and enfranchisement hopes brought falls to Burton shares. The Ordinary lost 4 to 206p, the A 6 to 184p while the Warrants softened a penny to 49p. Other leading Stores drifted lower on light selling. Gosses A declined 4 to 304p. Elsewhere, renewed profit-taking prompted a further reaction of 6 to 180p in MFI Furniture, while Stans Discount ended 4 off at 207p in

front of today's annual results.

Despite the record interim earnings, Courts (Furnishers) A dipped 2 to 112p, while falls of 4 and 5 respectively were recorded in Foster Bros (Clothing), 170p, and Lee Cooper, 183p.

Among Stores, Strong and Fisher at 70p lost all of the previous day's Press-inspired rise of 4 through profit-taking.

Selling was again evident in the Electrical sector, out-losses were mainly limited to a few pence. Among the leaders, Thorn gave up 5 more to 351p, while GEC, 320p, and Plessey, 103p, eased 2 apiece. Recent Electronic

supermarkets again tended towards the record interim earnings.

Associated Dairies, 181p, Amos Hinton, 81p, and William Low, 98p, all shed 2, while recently firm Hillards gave up 6 to 206p. Takeover favourite Robertson again met with profit-taking and shed 5 for a two-day loss of 7 at 123p. George Bassett also gave up 5, at 103p. The and Lyle, with annual results expected today, eased 2 to 182p.

## Rank Org. lower

A Press suggestion that today's preliminary results will be accompanied by a £50m rights issue unsettled Rank Organisation which fell away to close 8 lower at 286p.

Other Miscellaneous Industrial leaders moved in a similar direction, continuing to be deflated by the current labour unrest. Glaxo, 480p, and Beecham, 605p, lost 5 apiece, while Turner and Newall gave up 4 to 154p as did Boots, to 187p.

Elsewhere, nervous selling developed in Liden before and after it was announced that the company's accounts had been delayed for a month until February 23; the shares nearly halved to a 1978/79 low of 6p before finishing a net 31 down on balance at 8p. Still unsettled by the Board's bid denial and the company's request to the Stock Exchange to investigate recent dealings in the shares, Dufay Bituminous cheapened a penny for a two-day relapse of 7 at 38p. Anglo American Asphalt came on offer at 40p, down 4, and Winter rekindled 5 to 150p. Small speculative demand helped J. H. Fenner to improve 3 to 160p and Finlays added 7 more to 170p in continuing response to recent excellent results. Thomas French opened forward 2 to 65p in front of today's results, and Hallam Sleigh and Cheston added a similar amount to 38p; the annual results are due on February 8.

Small losses were the order of the day in quietly traded Motors. Lucas gave up 8 to 280p in the continued absence of institutional support. Elsewhere in Components, Dewar eased 3 to 240p. Other notable falls included ERF, 4 off at 109p, and Foden, 2 cheaper at 46p.

Packaging manufacturers

reported in BP, GEC and Bacal,

while doubles arranged included Messina and BP.

Great Portland Estates gave up 4 to 226p as did Stock Conversion, 296p, the last-named after firmness which followed recent impressive interim results. APEX softened 3 to 83p and Daegan, mid-term figures expected next Tuesday, declined

4 to 105p. South African Gold shares held up well despite a \$3.60 dip in the bullion price to \$230.625 per ounce.

After moving further ahead in the U.S. late on Tuesday evening, prices came under light selling pressure from Johannesburg in early trading. However, towards the close and in the after-hours' trade they tended to steady and in one or two cases move ahead slightly.

The Gold Mines index registered a 0.6 improvement at 160.1 but the ex-premium index eased 0.1 to 109.3.

South African Financials were

featured by the late strength of De Beers, which closed 12 higher at 423p following American buying. "Johannes" also made fresh progress with a gain of 4 to 215p.

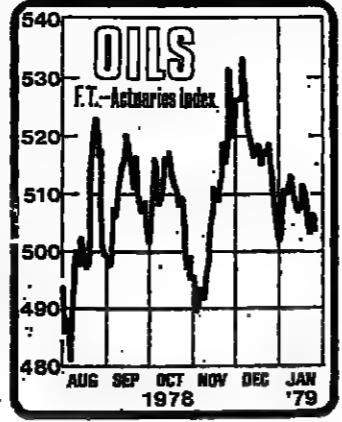
London-based Financials were lower across the board, reflecting lack of interest and a further downturn in UK equities. Rio Tinto-Zinc, 250p, Gold Fields, 183p, and Charter Consolidated, 189p, were all around 3 cheaper.

In Coppers, Messina fell 3 to 83p owing to the easier trend in the metal price. Tins, however, gained further ground following renewed far eastern demand.

Tinore were outstanding with a rise of 15 to 250, while new highs for 1978/79 were seen in Ayer Hitam and Southern Malayan which both improved 10 to 250 and 300p respectively.

Australians got off to a poor start following weakness in overnight Sydney and Melbourne but prices staged a modest rally in the afternoon owing to small London buying.

MIM Holdings rose 3 to a 1978/79 high of 245p on consideration of the increased interim profits and dividend, while the latest drill results from the Olympic Dam prospect in South Australia and the Wilga prospect in Victoria prompted late support for Western Mining which closed unchanged on balance at 161p, after 159p.



Textiles again encountered a low level of activity and Courtards shed a couple of pence to 112p. Despite a broker's bearish circular on the carpet industry, most issues held open, prices although Carpets International eased a penny to 56p and Nottingham Manufacturing slipped 3 to 138p. Scottish, English and European refinishing 2 to 80p in front of today's half-timer. Ash Spinning again attracted a little buying and rose 3 to 107p on hopes of a further statement about the bid approach announced last Friday.

Plantations closed narrowly mixed. Rises of 3 and 3 respectively were seen in Sungai Krian, 90p, and Cherasone, 56p, while Kuala Lumpur Kepong eased 2 to 161p.

Lack of investment interest was evident among Foods, with most issues moving narrowly around the overnight levels.

Properties mirrored the dull market trend and closed with widespread losses. Chesterfields, Spillers, Britannia Arrow, Lonrho, Town and City and United Biscuits. Puts were

## APPOINTMENTS

## Allen Harvey & Ross chairman

Mr. Alastair Buchanan, deputy chairman of ALLEN HARVEY AND ROSS, is to become chairman from April 30. He will succeed Mr. Michael Allsopp, who will remain on the Board. Mr. Allsopp, at present a director of DUNBAR AND CO., will become chairman of that company on May 1 to replace Mr. Ronald Scotcher, who is retiring.

Mr. J. Batterby has been appointed London representative of BANCO DI SANTO SPIRITO in succession to Mr. P. Meunier, who is returning to the bank's international division in Rome.

Mr. Colin S. Wills has today been appointed a director of REDIFFUSION HOLDINGS. He is an executive of the parent company, British Electric Traction.

Mr. S. Worrall has retired from the Board of BARTON AND SONS and as chairman of three subsidiaries. He has been appointed a consultant to the group.

Mr. R. G. Widman, president and chairman of the McKee Corporation of Cleveland, U.S., has been elected to the Board of DAVY CORPORATION following the merger. Mr. Widman will retire as president, chairman and director of McKee on March 1 and will be succeeded as president by Mr. W. F.

Mr. Raymond F. Miller, senior vice president and general manager of the London branch of Bankers Trust Company, has

been elected chairman of the AMERICAN BANKS ASSOCIATION OF LONDON. Mr. Robert Dussler, Jr. vice president and general manager of the London branch of Texas Commerce Bank, has been made vice chairman of the association.

Mr. J. R. Ross, Mr. W. L. J. Lowe and Mr. J. A. Bance are joining ILLINGWORTH AND HENRIQUES, stockbrokers, Manchester, as associate members on February 5. They will be based with Mr. C. D. Morpeth at the newly-opened London office at 88a, London Wall, EC2. Mr. J. Q. A. Findlater and Mr. P. F. Heath are also joining the firm at the London office.

Mr. John Morris has been appointed sales director of DUST CONTROL EQUIPMENT, a member of the Thomas Tilling group.

Mr. Peter C. de Haan has been appointed a director of SAGA HOLDAYS.

Mr. Ken Jackson is joining TI POLMACH as marketing director. He was previously with Quilters and Smith.

Mr. R. G. Widman, president

and chairman of the McKee

Corporation of Cleveland, U.S.,

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ing the merger. Mr. Widman

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This advertisement is issued in compliance with the requirements of the Council of The Stock Exchange and does not constitute an invitation to the public to subscribe for or purchase any shares.

## CENTRAL ASSETS LIMITED

(Incorporated with limited liability in Jersey as a company under the Companies (Jersey) Laws, 1881 to 1968)

Application has been made to the Council of The Stock Exchange for all the Capital Shares of 1p each of Central Assets Limited, issued and available to be issued, to be admitted to the Official List. On 15th January 1979 the net assets of the Company were £17,873,378 and 127,403 Capital Shares were in issue.

Particulars of Central Assets Limited have been circulated by Extel Statistical Services Limited and copies of such particulars may be obtained during usual business hours on any weekday (Saturdays excepted) up to and including 26th February 1979 from:

Keyser Ullmann Limited,  
25 Milk Street,  
London EC2V 8JE

Central Assets Management Limited,  
P.O. Box 98, Channel House,  
Green Street, St. Helier, Jersey C.I.

L. Messel & Co.,  
Winchester House, 100 Old Broad Street,  
London EC2P 2HX

24th January 1979.

# Monetary restraint warning and bleak industrial scene bring equities down to six-month low—Gilt steady

## FINANCIAL TIMES STOCK INDICES

	Jan. 26	Jan. 12	Jan. 9	Jan. 15	Jan. 17	Jan. 18	Jan. 19	Year ago
Government Secs.	56.98	67.00	67.37	67.62	67.51	67.52	67.57	
Fixed Interest	69.18	69.22	69.30	69.32	69.33	69.33	69.32	69.70
Industrial	497.6	472.1	476.9	476.4	474.0	471.5	469.4	470.4
Gold Mines	150.1	152.3	154.3	150.1	150.1	150.1	150.1	150.2
Gold Mines (Ex 5pm)	109.5	110.5	110.5	110.5	110.5	110.5	110.5	110.7
Ord. Divid. Yield	6.23	6.16	6.08	6.12	6.12	6.02	6.07	6.07
Earnings, Y.M. full	16.31	18.14	18.26	18.05	18.05	18.20	18.20	18.20
P/E Ratio (Ex 1st)	7.93	8.01	8.01	8.02	8.02	8.02	8.02	8.02
Dealsings marked								

## AUTHORISED UNIT TRUSTS

Abbey Unit Tst. Mgrs. (a)		Prudential Unit Mgt. Ltd. (a)		Minster Fund Managers Ltd.		Prudential Particula Mgrs. Ltd. (a)(b)(c)		Schlesinger Trust Mgrs. Ltd. (a) (b)		Target Tst. Mgrs. (Scotland) (a) (b)	
72-80, Castlemead Rd., Ascot	01-306 5007	5-11, Newgate St., EC2M 7EP	01-208 0971	Minster Hse., Arthur St., EC4	01-423 1050	Hobart Hse., EC1N 2NH	01-405 9222	140, South Street, Dorking	(026) 554 41	053 226 862/21	
Abbey Capital	413	Capital Pl.	52	Minster Jan. 15	157.8	30.8	126.5	Am. Extn.	223 0	22.5	11.1
Abbey Income	413	Int. Acc.	52	Dec. Accns.	125.0	103.5	5.41	Am. Growth	242 2	3.21	1.13
Abbey Income, Pl.	413	Int. Acc.	52	Oct. 29	132.0	102.5		Exempt Hse.	223 2	4.27	1.13
Abbey Income, Pl. (a)	413	Int. Acc.	52	Do. Accns.	132.0	102.5		Exempt Mkt. Ltrs.	223 2	2.25	
Abbey Income, Pl. (b)	413	Int. Acc.	52					Exempt Hse.	223 2	2.25	
Abbey Income, Pl. (c)	413	Int. Acc.	52					Exempt Hse.	223 2	2.25	
Abbey Income, Pl. (d)	413	Int. Acc.	52					Exempt Hse.	223 2	2.25	
Abbey Income, Pl. (e)	413	Int. Acc.	52					Exempt Hse.	223 2	2.25	
Abbey Income, Pl. (f)	413	Int. Acc.	52					Exempt Hse.	223 2	2.25	
Abbey Income, Pl. (g)	413	Int. Acc.	52					Exempt Hse.	223 2	2.25	
Abbey Income, Pl. (h)	413	Int. Acc.	52					Exempt Hse.	223 2	2.25	
Abbey Income, Pl. (i)	413	Int. Acc.	52					Exempt Hse.	223 2	2.25	
Abbey Income, Pl. (j)	413	Int. Acc.	52					Exempt Hse.	223 2	2.25	
Abbey Income, Pl. (k)	413	Int. Acc.	52					Exempt Hse.	223 2	2.25	
Abbey Income, Pl. (l)	413	Int. Acc.	52					Exempt Hse.	223 2	2.25	
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Abbey Income, Pl. (w)	413	Int. Acc.	52					Exempt Hse.	223 2	2.25	
Abbey Income, Pl. (x)	413	Int. Acc.	52					Exempt Hse.	223 2	2.25	
Abbey Income, Pl. (y)	413	Int. Acc.	52					Exempt Hse.	223 2	2.25	
Abbey Income, Pl. (z)	413	Int. Acc.	52					Exempt Hse.	223 2	2.25	
Abbey Income, Pl. (aa)	413	Int. Acc.	52					Exempt Hse.	223 2	2.25	
Abbey Income, Pl. (bb)	413	Int. Acc.	52					Exempt Hse.	223 2	2.25	
Abbey Income, Pl. (cc)	413	Int. Acc.	52					Exempt Hse.	223 2	2.25	
Abbey Income, Pl. (dd)	413	Int. Acc.	52					Exempt Hse.	223 2	2.25	
Abbey Income, Pl. (ee)	413	Int. Acc.	52					Exempt Hse.	223 2	2.25	
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Abbey Income, Pl. (gg)	413	Int. Acc.	52					Exempt Hse.	223 2	2.25	
Abbey Income, Pl. (hh)	413	Int. Acc.	52					Exempt Hse.	223 2	2.25	
Abbey Income, Pl. (ii)	413	Int. Acc.	52					Exempt Hse.	223 2	2.25	
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Abbey Income, Pl. (yy)	413	Int. Acc.	52					Exempt Hse.	223 2	2.25	
Abbey Income, Pl. (zz)	413	Int. Acc.	52					Exempt Hse.	223 2	2.25	
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Abbey Income, Pl. (bb)	413	Int. Acc.	52					Exempt Hse.	223 2	2.25	
Abbey Income, Pl. (cc)	413	Int. Acc.	52					Exempt Hse.	223 2	2.25	
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Abbey Income, Pl. (vv)	413	Int. Acc.	52					Exempt Hse.	223 2	2.25	
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## **INDUSTRIALS—Continued**

## **INSURANCE—Continued**

## **PROPERTY—Continued**

## **INVESTMENT TRUSTS--Cont**

## **FINANCE, LAND—Continued**

## Germans rule out further tax reforms

BY ADRIAN DICKS IN BONN

THE West German Cabinet expects the German economy to grow by 4 per cent this year without fresh incentives.

Count Otto Lambsdorff, the Economics Minister, and Herr Hans Mattheuer, the Finance Minister, made clear yesterday that the Cabinet considered renewed public discussion of further tax reforms irrelevant and potentially harmful.

Herr Mattheuer, opening the Bundesrat debate on his DM 203bn (£54bn) budget proposals, said categorically that there could be no additional tax cuts during the period up to the end of the present Parliament's mandate in December, 1980.

Count Lambsdorff, presenting his Ministry's annual report and forecasts for 1979, said there was "no need for discussion" of further measures.

Although the Government is relatively optimistic, and regards the forecast 4 per cent real increase in gross national product as "realistic," the Economics Minister stressed that there remain dangers for this year's economic performance.

In contrast to last year, however, the Economics Ministry sees the main uncertainties for satisfactory growth in 1979 on

the external side.

Count Lambsdorff listed these as the still powerful forces in favour of protectionism in world trade, the risk of a return to unstable exchange markets, renewed weakness in the economies of major trading partners, and looming threats to supplies of raw materials.

While Count Lambsdorff has publicly played down the potential impact of the Iranian troubles, some senior officials here now privately express growing anxiety at the effect that a lasting shutdown of Iranian oil exports might have on 1979 growth.

### Stimulus

With these factors in mind, no substantial stimulus to the economy from exports is forecast in 1979. They are expected to grow at best by about the same 5 per cent in real terms as world trade generally.

Meanwhile, the share of foreign trade in West German GNP is expected once again to decline slightly in real and nominal terms.

By contrast, the Economics Minister expressed fewer doubts about the domestic outlook. He paid tribute to the self-restraint of the two sides of industry in reaching moderate wage settlements last year, and welcomed the agreement reached early yesterday in the Hesse metal fabrication and engineering industry as a laudable step in the same direction.

The 4.8 per cent wage increase is likely to become the model for the industry elsewhere in Germany, as well as a benchmark for other sectors.

The Economic Ministry's forecasters project wage growth of about 6 per cent for 1979—although they stress that this implies a somewhat lower rate of settlements across the bargaining table.

Count Lambsdorff stressed the Government's support for the touch on the monetary brakes made by the Bundesbank last week, and stressed that Bonn supports the central bankers' concern to safeguard stability.

The Economics Ministry's report also holds out the promise of a fresh effort this year to make life easier for smaller companies, by simplifying the formalities involved in starting a business, making it easier to raise equity capital and channelling further research and development funds to smaller businesses.

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German dilemma with external payments Page 19

## Rail unions put 'substantial' pay claims

BY PHILIP BASSETT, LABOUR STAFF

RAIL UNION leaders yesterday presented their "substantial" pay claims in negotiations with the British Railways Board.

The talks are also intended to find a settlement to the dispute over productivity payments which has led to the series of one-day national strikes by the train drivers' union, ASLEF.

British Rail services, particularly those in its Southern Region, are likely to continue to be disrupted today by a combination of the effects of the weather and yesterday's train drivers' strike. Another one-day national strike is planned for tomorrow.

Some London Transport tube services seemed to be affected yesterday by unofficial sympathy action by ASLEF drivers.

ASLEF, the National Union of Railways, and the Transport and Salaried Staffs Association, presented their claims for their 1979 annual pay increase at a meeting last night of the Railway Staff national council.

### Productivity

Mr. Sid Weighell, NUR general secretary, said his union would expect to be offered about 9 per cent as well as an extension of its present national productivity deal and an offer similar to any made to the miners and electricity supply workers.

The union will also be strongly pressing a claim for a reduction in railway blue collar grades' 40-hour week to 35 hours. The union estimates it would cost £100m to meet the claim in full. The settlement date for the rail unions is April 23.

Mr. Weighell said the NUR would stick to its policy of resisting any separate produc-

tivity deal for particular grades.

The policy has proved to be a major stumbling block to a per-

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Editorial Comment Page 18  
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Poor attendance could have influenced the dip in the FT 30-Share Index below the important 470 level yesterday morning. But an attempted rally failed, and the Index closed at the lowest level of the day.

### Dave Corporation

Yesterday hardly provided the most opportune occasion to announce unsatisfactory figures, and poor Davy Corporation had 10 per cent knocked off its market capitalisation when it brought out a first half profit figure barely changed at £3.5m.

For the year as a whole, profits should be "in the region of" the £25.4m earned pre-tax in 1977-78, as Davy's \$113m U.S. acquisition McFee, which will be consolidated for four months, is expected to do no more than cover the interest charge resulting from its purchase.

British Rail warned yesterday that considerable delays were expected to services today, particularly in the Southern Region with cancellations and serious delays.

Because of the train drivers' strike, deicing trains did not run to deal with the thick ice which formed on the electric conductor rails predominantly in use in the Southern Region.

Delays and cancellations were also expected on services into Liverpool Street, Fenchurch Street and King Cross Stations, though inter-city services were expected to be reasonably good.

More than 130 London Transport Underground services were halted yesterday. London Transport maintained that adverse weather conditions were the cause. But some union officials thought the figure was too high to be just the result of the weather, and that some tube train drivers had unofficially threatened strike action in sympathy with the national drivers.

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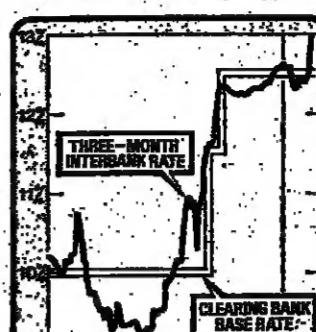
smaller businesses.

Editorial Comment Page 18  
German dilemma with external payments Page 19

## THE LEX COLUMN

## A disappointment from Davy

Index fell 5.5 to 467.6



grossed up share rate is looking decidedly uncompetitive. Home owners may soon have to pay yet more for their mortgages. The money market's interpretation of the way events are developing is crude but nonetheless sensible. If the authorities are to be believed about their devotion to the monetary targets yet are unable to resist the current surge in wage demands, the answer must lie in higher interest rates.

So far the money supply has appeared to be behaving reasonably well. However, the next set of money supply figures, for the January banking month which has just ended, will be watched carefully. It will be the third month of the new target period, beginning October, and by putting the figures on an annualised basis the authorities will get an idea of whether their 8.12 per cent target is being met.

British Rail warned yesterday that considerable delays were expected to services today, particularly in the Southern Region with cancellations and serious delays.

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